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NATURAL MONEY

THE PEACEFUL SOLUTION

JOHN RAYMOND CUMMINGS

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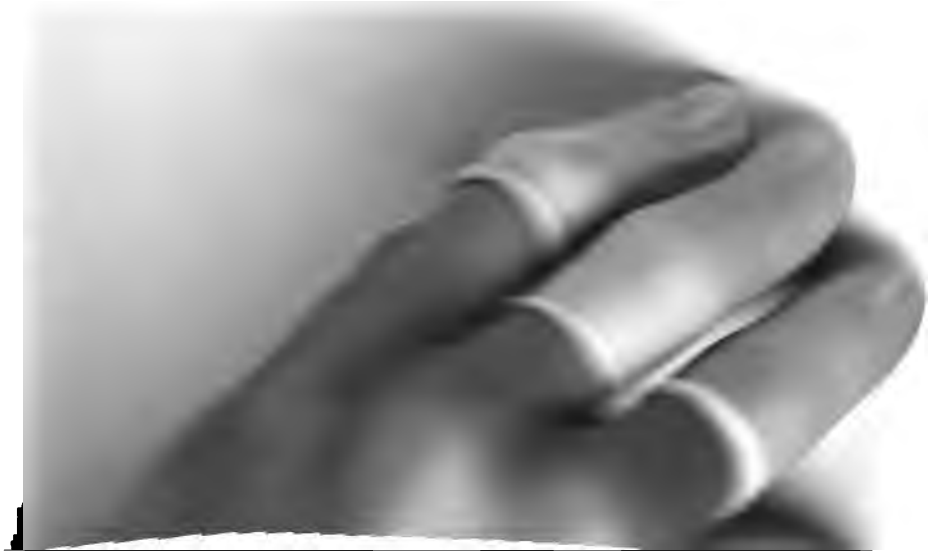

NATURAL MONEY

THE PEACEFUL SOLUTION

BY

JOHN RAYMOND CUMMINGS

NEW YORK
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To the millions who are earnestly seeking a way out of social difficulties; who know that something is radically wrong in our institutions but know also that these institutions hold the most precious heritages of the race; who are as determined to conserve the good as to eliminate the bad; who are striving to inaugurate universal brotherhood; who are more inspired by what is to be than embittered by what is, this volume is hopefully dedicated.

THE AUTHOR.

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PREFACE

IN the following pages I undertake to prove these propositions:

That there is a natural money.

That its adoption will make panics impossible.

That after a term of years natural money will bring our banking system to such condition that every bank will be able to pay all its obligations instantly. Banks will then be the accountants, custodians and clearing houses for all the people.

That in the course of time (probably within fifty years) natural money will put all business on a cash basis.

That in a like period the interest rate for property loans will fall to one or two per cent. and probably will disappear from money loans.

That natural money will enable the government to take over all the land and all the privately owned public utilities on terms very liberal to present owners, without issuing a bond and without hardship or injustice.

That it will enable the government to build during the same period a million miles of highway at a cost of $10,000 the mile.

To irrigate and drain a large proportion of the area needing irrigation and drainage.

To develop tens of millions of horse power

from water and distribute it throughout the country.

To develop internal water-ways on a scale hitherto unattempted and undreamed of.

That it will raise wages and end strikes and lockouts.

That it will establish natural wages and secure absolute equity as between employers and employes.

That it will pay off the government debt and make future debt impossible.

That it will end our present industrial warfare and bring all now discordant classes into harmonious coöperation, inaugurating an era of progress and prosperity such as the world has not even conceived of.

* * *

I am aware that these statements must be astounding to those who regard periodic disaster as in the "natural course of events"; who have accepted the well worn formula, "you can't change human nature," not only as a refutation of faith but as a denial of hope. They are astounding, but not more so than was Galileo's statement that the earth revolves on its axis.

Not more astounding than the statement, had it been made a century or two ago, that plagues would cease to decimate the race before the end of the nineteenth century.

Not even more astounding than the statement Philip Armour may have made to his associates forty years ago: "We will make a hundred million dollars from the hair, hoofs, horns, bones and intestinal contents of slaughtered animals."

We think we are doing a great work to build a Panama Canal in ten or fifteen years. We are. It is great to build it, how long soever it may take, but

We are wasting a Panama Canal every three months.

First of all I beg the reader to free himself from the idea that the money question is difficult. It is not if we start right, but it is impossible of solution if we have not the foundation truth, just as the science of astronomy was impossible until we learned that the earth revolves and the sun is the center. The science of money hitherto has been like the Ptolemaic system of the universe in its makeshift complications. The true science is simple; easy to understand and easy to apply.

JOHN RAYMOND CUMMINGS.

I

NATURAL LAWS ARE GOD'S LAWS

DISCOVERY of and conformity to the natural law is all of wisdom, and the beginning of wisdom is faith that Nature's laws (God's laws) are all-sufficient; that no relation or condition can emerge for which there is not a natural law, a natural mode of procedure.

It were impious to say that God put a humanity into an evolutional school of life in which it would meet unsolvable conditions. There are innumerable phenomena we shall probably not be able to solve for ages, perhaps not in this life, but to assume that our everyday life in this school should conform to rules of conduct impossible for us to discover *while we still need them,* is to impute imperfection if not malevolence to the Ruler of the universe.

In the evolution of a humanity, if government is desirable it will emerge naturally. If it involve expense, as we all know it does, there is a natural source of revenue for the purpose as certainly as mother's milk is food for the babe, as was shown more than thirty years ago by the elder George. If society requires to use money, there is a natural money.

By discovering a natural method of taxation

Henry George breathed life into a science that had borne little but Dead Sea fruit. He showed the system that should prevail, but his method of inaugurating it impressed many persons as not free from inequity and serious hardships. For years I have advocated his method, with some modifications to ease the hardships, not knowing of any way to avoid them altogether. I have discovered such method, a method so simple and easy it seems evident the natural law foresaw our gravest errors and beneficently provided an exit from situations that would otherwise seem almost hopeless.

Only as we discover the natural, the perfect, mode of procedure do we advance in the school of life; and as we do this, more and more we shall find romance, even poetry, in the sciences we have considered dry and dull. If it be not divorced from human life, the science of political economy will be found of transcendent interest, for humanity has written its autobiography in its material progress, and a thrilling story it is.

An Old Analogy Extended

Money has been aptly called the blood of the economic body. The analogy is even more far reaching and forcefully significant than has been shown, for with the money systems in use the analogy is largely to pathological conditions.

In the human body we have the condition of anemia or deficiency of blood, and when this condition obtains the vitality of the patient dwindles until it ends in collapse and death if it is not corrected. On the other hand, hyperemia, too much blood, is not an infrequent condition, and then we have dizziness, vertigo and even apoplexy. The blood is the life, but for health there must be the normal supply; neither too little, lest inanition and collapse supervene, nor too much, lest a delicate blood vessel burst, a clot form on the brain and the whole organism be thrown out of balance and wrecked.

Is there anything like these in the economic body? Is not a money stringency, when the agency of exchange cannot be had for the normal activities of the business world, the anemic condition of the economic body? And do we not, at such time, perforce do just what the anemic patient does, relapse into a state of inanition, of half-life, waiting for nature to bring vigor and activity again? And is not the too great supply of money, the inflation of credits, a condition of hyperemia; too much blood in the economic body? And is not the wild speculation we then have the vertigo of the economic body, and as sure to end in apoplexy and disaster?

In the condition of hemorrhage sometimes the heart of the patient collapses for want of suffi-

cient blood to work on, and when such result threatens, the physician opens the circulation and pumps into it a saline solution. It is not blood; it does not nourish the patient, but it furnishes material for the heart to work on, thus preventing collapse and gaining time for nature to right things.

Even this resort of modern science in coping with bodily disorder has its parallel in the economic body, for when general distrust has demonetized a large part of the credit, which is the real though not legal money, thus reducing the economic blood to a low ebb, the Doctors of Finance are called in and a saline solution in the form of clearing-house certificates is injected into the veins of commerce.

It was a great discovery of modern medicine that nature can be induced to go on operating that marvelous mechanism, the human heart, winking that she is hoodwinked into accepting mere liquid quantity for blood; and the discovery that we can do the like when our economic blood is at ebb, is also great, but it is a makeshift.

Among men are those known to physicians as "bleeders," whose blood lacks the coagulating quality. As a result of this defect, the slightest wound or a nasal hemorrhage may prove fatal. Is there any analogy to this in our "blood of commerce"? Is it not true that our fluid credit,

which constitutes about 85% of the real medium of exchange, is of such character that even a trivial accident is liable to induce a hemorrhage from the effects of which the economic body will require years to recover? Have we forgotten 1873, 1893 and 1907? And even if the saline solution, the recent discovery, does mitigate the evil, shall we rest content with mitigation and let the patient still remain a "bleeder"? Shall we not rather cure the defect and make this economic "bleeder's" blood coagulate and stop the flow when bleeding begins?

How shall it be done? The rapid and continued running out or disappearance of the credit volume is the bleeding, and in this economic pathological case we find a condition not paralleled so far as I know in the human "bleeder," for in the economic body, not only does this uncoagulable blood run away, but that small portion of economic blood, the real money, becomes stagnant and circulates sluggishly or not at all, a large part of it being congested in the vaults of hoarders.

This is the analogy of present money systems to the blood circulation, logically extended. Heretofore it has been stated only in general terms, and with no suspicion of the whole truth. Happily the analogy of Natural Money to the blood is a more pleasing picture; not a likeness to conditions of disease, but of health and vigor.

In the body the blood goes from the heart to the lungs to be oxygenized and purified, and in its circuit, to all tissues of the body to carry food to every cell and gather up the broken down and now poisonous material, passing through the excretory organs, where the refuse is eliminated, and back again to the heart and lungs. This circulation is so rapid that the whole volume of the blood passes through the heart in about forty-eight seconds, yet men's hearts beat and this rushing torrent of life flowed on for thousands or millions of years before man discovered that his blood circulated. Is there any wonder he failed to solve the problem of the circulation of the economic body? The marvelous metabolism of life is still a mystery; we know only the mechanics of it. It is as if our municipal water and sewer systems were united into one closed system and gave back to us, pure, sweet and wholesome, every drop of water not actually consumed.

In the nurture of the economic body it is as if there were two streams, one running from the thousands of springs of production to the millions of points of consumption, and a returning stream from the millions of points of consumption to the thousands of points of production. They are supplemental and constitute a closed system in the economic body. The goods in the stream of supply are the arterial blood, the

returning stream of credit, the venous blood.

But in this economic circulatory system we behold another miracle. I said it is as if there were two streams, but the fact is there is only one network of streams, and the careful observer will not fail to note that these vessels of value, the dollars, the carriers of utility from the springs of production to the points of consumption (the social cellular units), all travel in the opposite direction from that of their cargoes. It is as if they were negative ships. and for positive effect reversed their direction, or moved their cargoes by a force like magnetic attraction, the two objects moving together till they meet in exchange and then remaining static until acted upon by another "moving to exchange."

As in the human body the flow of blood to any given part is induced by the demands of its activity, so in the economic body; and as in the human body this activity may go to the point of injury or even destruction, so in the economic body, as we have all observed.

And in the body we observe the wisdom and foresight of Mother Nature, who is a provident dame and well worthy our confidence and emulation. She is no spendthrift, living from hand to mouth, nor does she allow her children to be, in the most vital matters. By all sorts of devices, almost as if by way of the fourth dimen-

sion, she packs away in the bodily recesses of warm storage, by her mysterious atomic masonry, here, there and everywhere, a reserve for any unusual demand of joy or grief, and finally for old age.

And she is not only provident but esthetic, and uses this reserve to effect that beauty of outline we all so much admire that sometimes, having squandered the reserve, or being unreconciled to approaching age, we audaciously attempt to counterfeit it. But even nature has found situations in which beauty has been put aside for utility. The camel, the ship of the desert, is altogether homely. He is an architectural monstrosity, and his sky-line is an offense to the eye, but that supra-spinal hump is his savings bank; a blood pudding nature put in his haversack when she bade him cross the sandy plain.

Is there anything like this in our social body? Can we save without waste, in economic blood? Not under our present systems of money. We can save without waste only in credit, and not in money, the best credit.

Natural Money will cure this defect and connect every provident individual with the pulsating economic heart, as it were by an umbilical cord that shall endure to the end.

II

NATURAL MONEY

MONEY is a generic expression of credit; of perfectly and permanently fluid credit; the agency by which exchanges are effected and the benefits of economic coöperation realized.

By the division of labor production is enormously increased, for the reason that a man can produce many times as much of a single article as he can of several articles, partly because the simpler movements required become habitual and almost automatic.

Not only can he produce a much larger total in a given time, but there is a great saving also in the fact that he requires fewer tools than for a varied production. It is probably within the truth to say that the total production under division of labor as we have it is from five to ten times what it would be under the methods prevailing five hundred years ago, though even then there was considerable diversity of employment.

But with division of labor must come exchange of products in order that each person may have a large variety of things to use, and when two persons meet for the purpose of exchange it must be a haggling contest or there

must be some basis upon which to determine how much each must give of what he has for what he wants.

Such method is not only so wasteful of time that it well-nigh or quite neutralizes the gain by division of labor, but it is also productive of mutual irritation.

In addition to the difficulty of making exchanges by barter, there is also the great difficulty of bringing together two persons whose possessions and desires are both complemental. John may have a coat which he wishes to exchange for a hat, a supply of groceries and a pair of shoes. It will probably take him as long to find a customer who has what he wants and wants what he has, as it took him to make the coat.

These difficulties are rather imaginary than real, for in a very early stage of society they will be largely overcome. Analyzed, the difficulty may be expressed as a lack of something that everybody wants all the time; which does not rapidly waste or deteriorate, and which is divisible without loss, so that it may be given in exchange for a trivial or an important thing.

Articles for decoration of the person have been used for the purpose, but for more convenient illustration, even at the risk of historic inaccuracy, let us assume a primitive society, in which wheat constitutes a large part of the

food and in which there is considerable division of labor. In such a society it would not be long before wheat became the medium of exchange if nothing better were found. As everybody would want it all the time, and as it is minutely divisible without loss, and does not rapidly waste, it could be used for the purchase of a horse or a darning needle with equal convenience.

Yet it would not be wholly convenient, for a housewife who went to the grocery for a pound of coffee, some sugar and spices would need a two-bushel bag for a purse, and a cart to carry her money, though she could take her purchases home under her arm. However, this difficulty would soon be overcome, for the general store man (the forerunner of the department store keeper) would find that his cash drawer must be larger than his store. He would therefore build a warehouse and issue receipts in convenient denominations for use at his store. Then the community would have a very good money, with their great staple as its basis.

But among many such communities some merchant would sooner or later give out wheat from his warehouse without canceling the equivalent receipts, by mistake or perhaps fraudulently. Then the communities, if they were wise, would take over the business of issuing money on wheat. They might decide to estab-

lish mills for grinding the wheat into flour, and might even issue wheat certificates on corn, rye, barley and oats, received at the market price and sold at the market price.

If the communities did this they would have a better money than any great nation of the world has or ever had. It would not collapse periodically, and its value would not go in the opposite direction from all other values at times, but it would not be a perfect money, as we shall see.

Instead of considering the defects of present systems of money and seeking to devise a cure for them, I shall describe what I consider the natural money, sure that when it is understood no one will find any difficulty in comprehending all the phenomena growing out of the use of artificial and imperfect systems.

For our purpose we will assume an isolated community of a thousand men and their families; not primitive men, but sturdy men who have lived in civilization and are accustomed to the habits and conditions to be found half a century ago in the middle states. The Mormons at Salt Lake were splendidly situated for the development of a perfect money system, but the dominance of their religion would probably have prevented it even if it otherwise might have resulted.

We will assume that our colonists brought

with them a limited amount of gold and silver, and that they have no thought of inventing or adopting any other than the coin system with which they have been familiar, but they do intend to build a substantial community, and desire to have an orderly and efficient government, with the largest measure of public benefits and of personal freedom.

Let us assume that they arrive in a body in the early spring, and that for the time being they decide that all work shall be communal. They must have enough houses for protection before the coming winter and must grow food and provender, so they decide that those who are handy with the broad-ax, saw and hammer shall assist the few artisans in the building of houses, while the other men, with the assistance of some of the women and the youths, shall grow the crops. But it is understood that when there are houses for all the work is to be individualistic, except for such work as is of a public character.

When they have reached the point of individual work they hold a meeting and decide that each man of voting age shall render thirty days' public service yearly or pay the equivalent into the public treasury, and shall be subject to call for from one to thirty days additional.

Even without any difference in the efficiency of individuals this would have resulted in substitute work in the public service because it

would enable individuals to dispose their time more conveniently; with difference in efficiency, this substitute work was all the more certain to prevail because it enabled the more efficient to apply their labor in the most productive way open and hire less productive substitutes. Thus the pay current for substitutes established a minimum common labor wage.

In the beginning a man who desired a substitute made arrangements with him and notified the overseer of public works, giving the name of his substitute. The overseer gave the receipts accordingly to the workman, who delivered them to his employer and received his pay; but after a time, probably to save work in making the receipts, they used printed blanks requiring only the filling in of the worker's name and the overseer's stamped signature. These each worker delivered to his employers.

Still later even this was found to be unnecessary, for it involved personal engagements to perform the service and subsequent settlements of each worker with his employers. Perhaps by the accident of some workman's failure to settle with his employers at the usual time; possibly by the natural and necessary development of the situation, the workmen came to be quite indifferent and careless as to settlements and used the receipts with the grocer, the butcher, the merchant, in fact everywhere they had dealings.

But most of the receipts were for a week's work, only a few of them being for a less amount, so, after a time, on the suggestion of a committee of the workmen, the receipts, or certificates, as they were commonly called, were given in various denominations, from the fourth part of a day to one, two, two-and-a-half and five-day certificates, and were printed on their best paper and as ornamentally as their facilities allowed.

Very soon after this was done the certificates constituted the larger part of the circulating medium and the people realized that unwittingly they had invented a new money. Gradually, as the volume of the certificates increased, the gold disappeared from circulation and silver was used only as fractional currency. Coin did not disappear by "emigration" nor by hoarding, but by finding its way into the public treasury and remaining there because the people preferred the certificates.

Let it be noted that these certificates were not "promises to pay," nor were they money in any legal sense; not legal tender, yet they performed all the functions of money. Probably no one of the colonists ever so much as thought of providing by ordinance that anything should be a legal tender.

III

THE QUESTION OF REGULATION

ONE winter evening at a public meeting for the consideration of certain public improvements, one of which was of considerable magnitude, some doubt was expressed as to whether the community could afford it. The work in question involved the purchase from abroad of about fifteen thousand dollars' worth of appliances, and after considerable discussion the man who acted as public accountant, recorder, treasurer, etc., said he had a suggestion to make, and proceeded about as follows:

"There is something more than $10,000 of coin in the vault, some of which has been there over a year. Gold and silver keep dribbling in as people pay their taxes, and coin never goes out except that occasionally I am called upon for fractional silver, nickels and pennies, and of course I use some in the payment of small bills. For a time we paid some of the workmen in coin, but they preferred the certificates, so we abandoned coin payments. I have noticed that many persons, in paying taxes, pay all or part in coin and retain certificates. It is probable there is still considerable coin in the possession of individuals who would gladly exchange it for

certificates if the opportunity offered. I suggest, therefore, that authority be given for making the exchange, and that all the coin except the fractional silver, nickels and pennies be used to purchase the machinery and appliances needed from abroad for our improvements."

Hitherto nobody had evinced any concern about the value of the certificates. They had passed current on the same basis as coin (a full day certificate as $2.00) and nobody thought of any other basis; but now that the suggestion was made to send the coin away and depend wholly on the certificates it was a very different thing, and the discussion showed not only a deep interest but widely variant opinions. Some thought that every currency should have a coin basis, and the banker thought that the coin in the community had really served as a basis for the certificates, which passed as token money upon the tacit understanding of a return to coin at any time the certificates might prove unsatisfactory. He was very sure a crisis would come before long if the coin were sent away. He raised the question of limiting the issue of certificates, and soon it was evident that this was the crux of the whole question. How to limit them had never been considered, and now it was evident that this was the one point to be made sure of—if it could be. The suggestion that this be left to the governing board seemed to meet

with general approval, and would doubtless have carried if it had been put to a vote,* but a wheelwright who had not taken part in the discussion before, showed conclusively by the Socratic method that the board had not even an approximate idea of how much money per capita there should be. Then he confessed that he had no idea, and expressed his belief that all the people together knew no more about it than he did, and that no expert could be imported who could give them any light on the subject.

It began to look as if the suggestion would have to be abandoned, but the speaker continued: None of us knows, nor all of us together, and we cannot figure it out. Even if we could, it would be dangerous, for an unwise board in the future might precipitate disaster. This possibility is a fatal defect because it is a perpetual menace, a sword of Damocles. Its effect is independent of its occurrence. Must our plan therefore be abandoned? No; for though we do not know to what total to limit them, and though no fixed total, nor even a fixed per capita, would serve, we *do* know *how* to limit them so that the total shall always be

*There is a widespread superstition that if several men who "do not know" are organized into a board they will bring forth wisdom. In many (if not most) cases it would be as well to appoint a committee of wooden Indians, for ignorance does not become wisdom by multiplication.

right, for it will be self-regulating. It is a curious fact that we look upon the efforts of governments in times past to regulate prices and wages as a superstition in sociology; even look upon the direct attempt to regulate the value of money, in the same way; yet do not realize that attempt to regulate its volume is the same thing in disguise. Perhaps I should not call it superstition. Where the effort has been to legislate value into light-weight coins, it has properly been stigmatized as downright legislative fraud, but when the same end is sought by indirection it is attributed rather to ignorance than to dishonesty, unless the result be obviously inequitable. My contention is that any exercise of official power to expand or contract the volume of money is of a piece with light-weight issues, repudiation, and confiscation.

Nobody knows nor can know by a process of reasoning, what is the value of a bushel of wheat, corn, oats, or anything else, but the market knows; the relation of supply and demand fixes prices in a free market, and it will do the same for our certificates if we abandon all effort to regulate their quantity. It is for us to inaugurate the system, set the machinery going, and then keep hands off.

Men always invest their gods with unknowable attributes, and it may be from this propensity that money has been considered a thing

of mystery. There is no mystery, but much mystification.

Let us suppose that gold, like aluminum, were to be found everywhere, and that everyone had a right to extract it from the ground; that by ordinary work a man could extract in a day as much gold as is contained in two gold dollars; that the process required only a shovel and a pan and were such that no modification could be made. This would relieve men lacking employment, but wages would constantly fall, because gold is a long-lived substance even when actually in circulation, and becomes almost immortal when it lies in a vault and shifts the real work to a paper substitute. Thus every dollar that issues is a permanent addition to the stock, except as money is melted for use in the arts, and this cannot happen to any considerable extent except as a result of decline in value. As the volume would be increasing the value would decline pro tanto, assuming other things the same, until a dollar would be reduced to a very low point measured in the things it would buy. What I particularly desire to illustrate is the incurable defect of precious metal moneys. The dollars come in, but will not get out to stay except as their value is permanently lowered.

A perfect currency is not only elastic in the sense that it will expand to the fullest requirements of trade, but it is as perfect in resiliency,

for no matter to what extent it has been expanded by temporary demand, it will contract as demand abates.

But all this change must be automatic, and not by the dictum of any man or any number of men; not even by the unanimous vote of all concerned.

The only perfectly performed functions of the body are the involuntary or automatic ones, and I suspect the same is true in the social body. We could not all come together and by estimate set a proper price upon a single staple, even if we knew the exact quantity in stock and had all the statistics of past years to aid us, yet we do it without effort and unconsciously; do it perfectly. Natural law takes care of it, and all effort to regulate it would be labor lost, and would bring only confusion and disaster if we were so unwise as to attempt it. Every loaf of bread consumed, every cooky eaten by a little one, is a factor in the price of wheat. It is through the operation of her laws that nature admonishes us by ascending prices against improvidence; by descending prices intimates indulgence in her bounty.

But how shall we arrange so to regulate the quantity of our money that its value shall remain constant? Remember that the quantity must increase when the demand increases and decrease when the demand decreases. This is

exactly the opposite of the behavior of coin moneys, and of all moneys heretofore in use. How shall it be accomplished?

Easy enough. Easier to do than not to do.

It is said that the first steam engines required a person to move the valve back and forth to let the steam into the cylinders, a small boy usually performing this work. One of these boys discovered that he could attach the valve stem to the moving machinery and thus gain freedom from the monotonous task. From the ingenuity of this boy, step by step we have come to the automatic cut-off, a practically perfect device for maintaining constancy of speed, but the great heart of commerce, the pumping engine that circulates the blood through the economic body, still has a small boy actuating the most delicate and vital part of the mechanism, and the fluttering of the heart tells us how inadequately he performs his work. We must attach the governor to the mechanism in such way that variations shall bring about their own correction.

Hitherto we have been requiring from each male citizen of voting age thirty to sixty days of public service each year, for which receipts have been given. These receipts were not payment for service but acknowledgments of service due and rendered. This little government does not pay for anything. It receives what is

due it and gives receipts. These receipts pass current because, being impersonal, anyone who is prepared to surrender them to the amount of his services due is thereby discharged of his obligation; shows that he has rendered the service personally or by proxy. By surrendering them he designates for credit to his own account that part of public service for which the certificates were issued; and the certificates go back to be canceled or to be reissued in acknowledgment of further service.

But heretofore we have done only such public work as estimates called for without any reference to creating a circulating medium, and if this has given us the proper amount to use as money it is simply a happy accident.

There is one way and only one way to determine how much public work should be done, and that is to provide public employment for all who cannot be more profitably engaged in private employment.

Naturally you will ask how this can be done. It is very simple, as most great truths are. All the change we need to make in our present method is an ordinance authorizing and commanding the board of public works to employ all unskilled laborers who apply, at two certificates per day (as we have been giving), and as many skilled laborers as may be needed, at such compensation as is necessary to secure the number required.

While I do not think it important, it may be well for technical reasons to provide in the ordinance that the certificates shall be legal tender.

The way in which this plan will work to accomplish what we seek is this: If at any time, for any reason whatsoever, there are not enough certificates in circulation to meet the demands of trade, their value will rise slightly, or what is the same in effect, general values, prices, will fall, including the price of labor in private employment. This will cause an increase in the number of public workers and a consequent expansion of the currency. Instead of saying that prices would fall I think it better to say that trade would slacken, for it is not likely that prices would noticeably change nor that private wages in general would fall. Instead, it would probably be only a change from brisk to quiet, and laborers whose work in private employment is intermittent or irregular would find less call from private employers and as a result would spend more time in public work. If some men in private employment were laid off temporarily, they would shift to public work until the deficiency of certificates was made good and business became brisk again.

In a large community, one of many millions, my opinion is there would be no noticeable shifting from public to private work and back again, except of those laborers who habitually do so be-

cause of the character of their private employment. Indeed we may find that except for those intermittent workers there will be no shifting. I suspect the ultimate development will be that most young men will serve an apprenticeship in public work, and the currency volume will be adjusted by the slightly varying average time they remain. This apprenticeship work, if it all goes into the public service temporarily, should be a very accurate gauge or index of the currency, for if we can imagine a perfectly even standard of business, that is, unvarying prosperity, the demand for money should be in proportion to the number of producers, and the apprentices are the enlisting force in the industrial army.

On the other hand, if there should ever be too many certificates in circulation their value would fall slightly, or business would become more brisk at prevailing prices and workers would be drawn from public to private employment (not many but a few) and cancellation by payment of taxes would bring about adjustment.

Probably more certificates will issue each year than are canceled, for the community is growing and naturally will need more money and more public service. Indeed I suspect that every child, soon after its birth, if not before its birth, will be represented by an increase of the currency, and every increment of social energy will be so expressed in its proper degree.

As compared with getting money by digging the precious metals from the earth, even if they were everywhere at hand, this method is immeasurably superior, for it will give us a better money and we shall have the public works besides. This will not mean that the public service and public utilities cost us nothing, but that our money, the instrument of exchange, costs us nothing; not even the trivial cost of the certificates, for they or some equivalent would have to issue even if they were not used as money. And as money is merely a short method of bookkeeping, why should the counters cost anything?

So they did it.

IV.

ECONOMIC EMANCIPATION.

WE have seen from the foregoing that the money of the proposed system is self-regulating in quantity; that when its value rises the quantity is automatically increased, and when the value falls the quantity is automatically decreased, which is as it should be; and if we can show that this kind of money is the natural money we shall have established its claim to adoption.

Economically, human evolution consists in gradual self-emancipation from the necessity to toil. This necessity is imposed by nature, and it is evident that complete emancipation is the work of ages, each generation winning a little more "free time." Let us get this fundamental truth firmly fixed in mind, for it is very important. Every economic advance means that less toil is necessary to maintain our mode of life, or that we may live considerably better with the same amount of toil, or somewhat better with a little less toil. To reduce it to definite terms, assuming that we now toil eight hours a day, if improved methods enable us to produce as much in seven hours as we now produce in eight, we will work, say, seven and a half hours

and live somewhat better. Even with the better living we shall then have half an hour more of "free time," but it will not be for use without accounting to Mother Nature. Economically it is "free time," but it has an evolutional aspect also, and in this sense is probational, and if it be devoted to indulgence instead of aspiration we shall find our gain has become a loss. He has made an ill exchange of masters who has won freedom from "necessity" to become the slave of passions and appetites or of vanity and vulgar display. Unhappily we have evidence all about us that some individuals are rapidly losing the freedom so slowly won.

But as a whole, humanity is progressing, and we will consider the progress of a society in which the advance is not lost, wherefore

Let us now suppose our colony to own everything in common except such things as must, for convenience, be owned individually. We will make a supposititious schedule of this colony's labor for a few years, and see if we can get any helpful suggestion from it. We will assume that in the beginning all their work is necessary to make sure of subsistence and to conduct the simplest form of government, and indicate their progress during a period of ten years by the percentage of labor set free from necessity to toil to maintain the first year standard.

Years	Labor necessary to maintain first-year standard.	Percentage of "free labor."
1st year....	100%	None
2nd year....	90%	10%
3rd year....	80%	20%
4th year....	75%	25%
5th year....	70%	30%
6th year....	65%	35%
7th year....	62%	38%
8th year....	60%	40%
9th year....	58%	42%
10th year....	56%	44%

Here we have an annually increasing amount of labor set free from absolute necessity, and its disposal will determine the progress of the colony. In the beginning a very large percentage of it will be devoted to a better material standard of food, clothing, etc., but very soon a goodly percentage will go to permanent improvements and to social and moral benefits. Let us take the annual percentages of "free labor" and make an imaginary apportionment of them to various lines of activity, not dividing them minutely but in broad classifications.

This schedule (see page 38) indicates that in the second year six of the ten points gained went to a better subsistence, three to improvements of a more permanent character but for individual use, and only one to communal benefits, but the increase for food and clothing reaches its limit in a few years, and the sixth

year from the first of "free labor," the amount devoted to personal and family betterments shows a decrease, while the communal benefits are steadily commanding a larger share, reaching twenty-four out of forty-four in the last year.

Percentage of "free labor" beginning with the second year.	Percentage devoted to better food, clothing, etc., to better consumption supplies.	Percentage devoted to better permanent improvements for personal use, houses, etc.	Percentage devoted to permanent communal improvements public utilities.
10%	6	3	1
20%	12	6	2
25%	13	9	3
30%	14	12	4
35%	15	12	8
38%	15	10	13
40%	15	8	17
42%	15	6	21
44%	15	5	24

As this society is a communistic one, it is a matter of course that the 24 per cent. of the people who are doing the community work share equally with those who are producing the food, clothing and innumerable other things that must be divided and consumed individually.

Suppose now they decide to become individualistic and to continue those in the public employment who have been so engaged the current year and pay them in conveniently subdivided

certificates, levying a general tax equal to the certificates issued, and payable in certificates.

These certificates will be the public workers' title deeds to their share of all the utilities (goods and service of all kinds) that administer to life. There is no law compelling people to exchange goods or service for them, but the tax law compels each person to surrender his proportion of the certificates in payment of his taxes, and if he must surrender them he must get them. The only way he can get them is to give goods or service in exchange for them.

They will therefore be the money of the colony.

This money is the natural money because it is a natural and obvious use, in a very important function, of that which must issue whether it be so used or not—receipts for public service rendered.

It is a natural money because it makes each man's community service (rendered personally or by substitute) the means of measuring and the instrument for exchanging the products of his privately applied industry.

It is the natural money because society *is* coöperation; division of labor *is* economic coöperation and frees labor from necessity to toil for subsistence, sending it to community (government) service, and it is division of labor that makes exchanges of products necessary.

Can anything be conceived more fitting than that these public service certificates of "title to share" with those who applied their labor privately, should be the orders upon the surrender of which the shares should be delivered?

Can anything more fitting and admirable be conceived than that a seemingly trivial incident (the receipts) arising from one of the two great benefits (public works) of the division of labor, should be the agency of accomplishing what the division of labor has made necessary in the other great class of benefits (exchanges of private production) and without which those benefits cannot be realized?

Can anything be more fitting than that the portion of each man's total service which he devotes to public good; which is in its nature higher, almost altruistic, should furnish the standard for measuring and exchanging the product of his egoistic labor?

It is the natural money also because it enables every community to be economically complete and self-contained so far as its money system is concerned; that is, no country need send abroad for money material.

It is the natural money because its quantity, and therefore its value, is regulated absolutely by the demands of trade, and is not affected by any other influence. This is all-important and will be further considered.

It is the natural money also because the system automatically attracts all "free labor" to its proper field of activity, work for the public good.

V

JUSTICE AND MORALITY OF THE SYSTEM

I BELIEVE I have shown that the proposed money is natural and sound, and now I shall undertake to show that it has its origin in justice and morality.

Both in Europe and America socialism has made millions of converts during the past half century, and many persons are now apprehensive that it is going to prevail in the near future. It is my belief that its rapid progress grows out of the hopelessness of present systems, and that there are no definite and coherent ideas as to the socialistic order, should it ever be established. The vast armies of socialism are therefore aggregations of protest; a negative force rather than a constructive one.

The strength of all such opposition movements is the almost universal recognition of the fact that something is radically wrong; not a few little things, but one or many big things; so big and so wrong that to the mass of the people life is a dreary grind while the few reap the harvest of the many.

I do not believe in socialism, but I do believe in what the socialists are striving to bring about

—an ideal condition of society. I believe their plan is fatally defective because it is premature. It may come ultimately; in fact, I think that socialism or its equivalent will be the final outcome, but for the present and near future, *private initiative and private occupancy of land upon secure tenure* are necessary to the best interests of society. I do not endorse our present land system, nor am I willing to supplant it by government ownership of the tools of production, the government to become the employer of the people, but I do contend that:

The government, having sold the land, is morally obligated to furnish employment upon public works at a living wage to all persons who do not find private employment. As all that we have comes from the land, and as all labor must be applied to land (natural objects), is it not plain that those who lay claim to ownership of the land are under obligation to relinquish a part of the land or employ at a living wage those who have no land? Formerly this was recognized, for the yeomanry "went with the land."

This moral obligation of the land owner would be plain if the government had sold all the land to one or a few men, and it was not denied nor evaded in feudal times, for then the relation of the whole people to the land was close and obvious; but when the modern indus-

trial system came in with its factories and thousands of employes in a mill, the relation of these workers to the land became obscured.

It may be granted that the government should furnish employment to all who are involuntarily idle, but the question be asked: "On what terms—at what wage?" That is a question no man can answer, nor can all men together answer it; that is, they cannot tell what the real wage will be; what it will amount to in the things people use and which constitute the real wages of labor. But fortunately, with this system of money; making the wages of laborers the money of the realm, we do not need to know. The natural law will determine the purchasing power of the money wage. I suggested $2.00 because that is not far from the current price for common labor in good times, but except for our habit of thought it would do just as well to say one cent or ten dollars, or use an arbitrary and meaningless term. In fact there would be a degree of propriety in using the sign of the unknown quantity, x. Whatever is given for a day of common labor, in all places and at all times, and cannot be obtained except by giving labor or goods for it, and must be had to pay taxes, will buy as much as a day of common labor can produce for the laborer in private employment. This is self-evident.

To say that the government may demand the service of the citizen to the extent of its need, but that he may not demand of the nation opportunity to render service (to labor) to the extent of his need, is to make a mockery of government and to degrade the sentiment of loyalty from a lofty devotion to a base servility.

The proposed money is therefore not only the natural money, but it is the only money founded in morality; is in effect an expression of the reciprocal relations subsisting between all the individuals as government and each of the individuals as a citizen.

Not only is it the natural and the moral money for the foregoing reasons, but it is also natural and moral because it issues with the tacit consent and approval of all the people, for when a laborer by public service causes its issue he does so because no one of all the millions offers him service at better compensation; and if any citizen think too much public work is being done he is at liberty to take as many persons out of public work as he pleases or can, and each of all the citizens is estopped to complain that the government employs workers so long as he does nothing to take them out of public employment.

To make the matter concrete and personal, suppose an objector to say to a public works official:

Citizen—You have too many men employed at public expense.

Official—Do you think so? I am willing you should engage as many of them as you require.

Citizen—I do not want any, but there are too many at work and I think the force should be cut down.

Official—You are a merchant. Some of these men are your customers. If I discharge them they cannot buy your goods. Not only that, but being in enforced idleness they would soon lower wages in all the employments about you and thus further reduce your sales by reducing the purchasing power of others. Would that be good for your business?

The man out of a job menaces the merchant as well as other workmen.

To say that too much public work is being done is only another way of saying that too little private work is being done, or by implication to declare that some men should be in enforced idleness. Is it conceivable that any man who is sane and humane would make such contention?

Under this system it is to the interest of the laboring men as a class to accept private rather than public employment, for so long as they can get the same wages from private employers the purchasing power of the wages will be greater. Every addition to the currency beyond the re-

quirements of trade reduces the purchasing power of the unit, but no addition that comes in response to the demands of trade can have this effect, because it is the increasing purchasing power of the unit that calls forth the increase.

It is the natural and the moral system of money because it does away with enforced idleness and the incalculable suffering, the vice and the crime resulting therefrom; and not only will it put an end to enforced idleness, but will end the voluntary idleness of those able-bodied idlers who prefer beggary and imposture to work, and are able to live in that way because it is impossible under present conditions to distinguish them from those who are idle because they cannot secure employment.

The objection is sure to be urged that the government should never spend more than its income, meaning that it should not spend more than the taxes levied for the year. This appears to be a sound declaration of principle, but it is not. The government's real income is the annual value of the ground. This can never be known with exactness. Even the land owners do not know, and very frequently find out the value of a particular parcel at considerable expense and great risk. To say that the landlord is entitled to such value until others find it out; until the public finds it out and

takes it over, is only to say that a man is the owner of what he finds, by right of discovery, and may rightfully use it, if it may be used without damage, until it is claimed by one having a higher title. He is the rightful owner by virtue of his sagacity and his willingness to take the risk of proving his opinion.

But not all the landlords together can prevent the index from appearing in the form of "free labor," and this the government can take without cost and without knowing until afterward how much it is. All that is necessary is to take all that offers. This will always be in excess of the tax levy because the market (in this case the labor market) holds or frees the energy as inerrantly as gravity holds the contents of the balances or the planets in their paths, and it offers to the people the product of this "free labor" for their common use, and a perfect agency of exchange for permanent use.

The foregoing is a clear and comprehensive outline of the principles of the proposed system, and it is now in order to treat the subject of money more in detail; to consider the characteristics of a perfect currency, the defects of the systems now in use, or that have been recently advocated, and to compare the proposed system and its workings, particularly with the coin systems now in general use.

VI

QUALITIES OF A PERFECT MONEY

AS before stated, the primary use of money is as an agency of exchange, and for this purpose alone almost anything that is convenient, easily divisible and universally desired, will serve fairly well; but in a highly complex society there are other uses of money that are very important, all of which must be considered in order that we may know all the qualities of an ideal money.

As obligations extending over long periods of time are now very common, such as long-time bonds, life insurance, annuities, leases for long terms, etc., it is plain that money should be as constant a measure or standard of value as a pound is of weight or a yard is of length, if it is possible to get such a measure. This is so obviously desirable that it needs no argument.

For convenience it will be well to make a list of the qualities of the ideal money, and if these qualities are kept in mind it will be easy to see where the money systems now in use fall short of the requirements.

1. The ideal money must be accepted in exchange without question, hesitation, or discount.

2. It must have constancy of value, which constancy must be assured for all time.

3. It must expand and contract in volume in response to the demands of trade as expressed through the operation of influences that are automatic and free from control by any clique, class or combination—free even from control by the government, except with the sanction of the people at large, positively and specifically expressed, and its volume must not be affected by any other influence than the demands of trade.

4. It must cost the government nothing.

5. It must cost the individual its face value, and must not be procurable except in exchange for service or goods.

6. It must never be issued except by the government in voluntary exchange for services or goods, thus issuing only by the reciprocal action of the people as a whole (the government) and the people as individuals acting in perfect freedom.

7. It must be an expression of government or communal activity; a representative expression of all community or public benefits, with great propriety used as the medium of exchange and repository of value for future use.

8. It must be convenient, easily recognized, difficult to imitate, and be infinitely divisible without loss of value.

VII

THE COST OF COIN MONEY

IN all lines of production and in most lines of exchange there is a very considerable expense for replacement of the tools and other agencies used. All material things wear out or decay, and in all business there is a constant effort to reduce the cost of tools and appliances and also to reduce the wear and disintegration. To use a tool that is more expensive than necessary, or one that wears out more rapidly than another that may be had, or one less efficient than another available one, is voluntarily to commit waste.

Money is the greatest of all labor-saving instruments—probably greater than all others together—and being in most universal use, it is important to have that form of money the first cost of which is low, the wear of which is little or none, and the loss or destruction of which, though an individual loss, is balanced by a communal gain.

It is evident that if a money can be had that costs nothing, the first cost of coin money is a dead loss as compared with such money, and as we must add interest, wear and cost of coinage

to the first cost, we shall have a bill of expense we ought not to regard lightly.

According to Jevons the annual cost of interest, wear and mintage on a hundred million pounds is £4,352,000; in round numbers, $21,750,000 on five hundred million dollars of coin, almost eighty million dollars on a billion, eight hundred millions, which is not far from the amount in the United States. Add to this one-half the labor annually spent in mining gold, as at least one-half goes into coin, and we have close to one hundred million dollars annual loss.

If the world's total coin money is eight billions of dollars the world's annual loss is about four hundred and forty millions of dollars.

The loss in the United States would pay annually for ten thousand miles of highway at $10,000.00 the mile, or for fifty thousand miles at $2,000.00 the mile.

So the cost of coin money is a very important objection if it may be avoided without a sacrifice of the quality of our money.

But the cost is not necessarily an objection. If a coin money is better than any other to any considerable degree in its performance of the functions of money, such superiority will outweigh the extra cost. On the other hand, if it does not serve better than some other that costs less or nothing, then the excess of coin cost is so much waste.

But aside from this there are grave objections to the use of precious metals as money, some of which I will proceed to consider.

Gold is by far the best money metal known, and except for fractional currency and denominations below five dollars, is probably better than any combination of metals, but is fatally defective in that it lacks constancy of value, and because its value is antithetical to, instead of representative of, general values. These defects are fatal to all precious metal moneys because they are incurable.

First, as to lack of constancy of value: As value changes with change in the *relation* of supply and demand, and as the amount of coin money is determined by influences other than the demand for money, the value cannot be constant. So long as we have those conditions usually spoken of as "good times" this defect is largely made good by the use of instruments of credit, but this only makes the disaster all the worse when it comes, which is always after an interval of only a few years, usually between ten and twenty.

Besides the inconstancy which shows periodically in the ruinous fall of prices, there is a gradual change showing from century to century, and even from decade to decade. With both gold and silver this latter is a decline in value; in the case of silver amounting to about

50 per cent. in forty years, and in the case of gold probably more than 50 per cent. in nearly three centuries ending 1880; and since then probably 20 per cent. of its value at that date, if not more.

It is a curious fact that of the excellent qualities of gold, its durability, a quality often mentioned as one fitting it for use as money, is one of the causes of this fatal defect of inconstant value. The average life of gold as money is probably 500 years or more, so that the supply is constantly growing. Demand for money has grown also, but with the rapid movement of goods, the enormously extended use of credit and the improvement in banking, demand has not kept pace with the supply, the net result being an enormous decline in value.

Theoretically at least there is some check upon this expansive tendency of gold and silver in the fact that as they decline in value they are more used in the arts, but as this is an effect of the decline in value its statement is a declaration of the fact of decline.

As gold, once a part of the world supply of money, continues to be money for centuries, and as the same is true of silver for a shorter, but still very long period, the quantity of coin money at any given time is the effect of influences that have passed decades and even centuries before.

Stated in other terms, a coin currency is incurably defective for these reasons:

It can neither expand nor contract its volume in response to sudden demands of trade.

It is steadily increasing in volume and as steadily losing its value.

Though it cannot contract its volume in response to lessened demand, it *does* contract in effect (by hoarding), but *this contraction always occurs when the need is for expansion.*

This inopportune contraction takes place because the value of any money whose volume is not automatically responsive to change in demand, is antithetical to general values; that is, such money value goes up when general values go down and goes down when general values go up, and there is no influence to check the divergence this side of disaster to general business interests. The wheat certificates formerly referred to could not diverge from the value of wheat, and could not diverge widely from general values, for if the money value of the wheat certificates falls it simply means that wheat is cheap as compared with other things, and it is not conceivable that men should grow wheat primarily to get money issued upon it when they could grow the higher-priced things and exchange them for more money than would issue against the wheat. With such financial system wheat would be grown just as it is now—when the

value was high. But under such a system the value of wheat being nominally constant, high value for wheat would simply have reference to the purchasing power of money expressed in things other than wheat.

The wheat certificates have this advantage over coin as money, that each unit of such money is short lived, wherefore there could be no steady decline due to accumulation over long periods. With such a system, when wheat was cheaper than potatoes, rice, meat, etc., in effect the people would eat their money—eat more wheat—thus restoring the normal volume and value.

This difference between moneys of antithetical value and those of representative value is recognized in the "multiple standard" money which has been proposed and widely discussed. Its adoption would free the world from money panics, but would not give us the ideal money. In the multiple standard it is proposed to make about twenty of the leading world staples the standard of value, the theory being that the average value of such staples will be very nearly constant. Jevons says (Money and the Mechanism of Exchange, pp. 327-8): "Can we not conceive a multiple legal tender, which would be still less liable to variation? We estimate the value of one hundred pounds by the quantities of corn, beef, potatoes, coal, timber,

iron, tea, coffee, beer and other principal commodities, which it will purchase from time to time. Might we not invent a legal tender note which should be convertible, not into any one single commodity, but into an aggregate of small quantities of various commodities, the quantity and quality of each being rigorously defined? Thus a hundred-pound note would give the owners a right to demand one quarter of good wheat, one ton of ordinary merchant bar iron, one hundred pounds weight of middling cotton, twenty pounds of sugar, five pounds of tea, and other articles sufficient to make up the value. All these commodities will, of course, fluctuate in their relative values, but if the holder of the note loses upon some he will, in all probability, gain upon others, so that on the average his note will remain steady in purchasing power. Indeed, as the articles into which it is convertible are those needed for continual consumption, the purchasing power of the note must remain steady compared with that of gold or silver, which metals are employed only for a few special purposes.

"In practice, such a legal tender currency would obviously be most inconvenient, since no one would wish to have a miscellaneous assortment of goods forced into his possession. He who wanted corn would have to sell to other parties the iron, beef, and other things received

along with it; gold, or other metallic money, would doubtless be used as the medium in these exchanges."

Truly this would be a very inconvenient money, but why make the £100 note redeemable in a number of things? Why not let the holder of the note take whatever he wants of one or more things *at the market price?* The varying wants of men will assure that all the several things will be taken and the market will fix their prices right.

Better still, why require him to take *any* of the things? Why not leave people to take them who want them? Why should the government keep a stock of all these things on hand? Why not re-define a pound as "such quantity of gold as will purchase the various articles referred to (a unit of each) and then redeem the £100 note in that value of gold on the day of redemption? The government does not have to redeem in the staples chosen, but only to use them as the basis of value and redeem in gold at the market price of gold expressed in the value of the commodities chosen as the base.

With this system nobody would care how high the price of gold went. It could not affect legitimate business, for the money value would be tied to the world staples and could vary only as they varied. The market has become the mint. The only danger would be that gold might

become so cheap that the government supply would run short, but this could probably be provided against.

The nations have not made as good money from the precious metals as they might have made. In all moneys, either the unit value or number of units must change. If the value of the money is in the money material, then the value of the unit must change or the quantity of material constituting the unit must be variable, allowing the units automatically to multiply. *They cannot both be fixed.* In the proposed system the value of the unit will change slightly because it is the change of value that brings about the change of volume, but this is only as the rudder of a ship changes its angle to keep the general course of the ship straight.

A span is a much less variable standard of length than a gold dollar is of value.

Increase of the volume of money not brought about automatically by the demands of trade is in reality a debasement of the currency exactly similar to the issuance of light-weight coins, or to the plan of the fiatist who would, as his critics facetiously say, simply increase the denomination of each unit and thereby secure the desired volume of currency.

As the value of a unit of anything falls to zero before the quantity becomes infinite it

seems certain that after such supply of a precious metal as makes it convenient for use as money, additions serve only to reapportion the total value, not to increase it. Of course whatever money is in use will have its value enhanced by increase of demand, but other things remaining the same, to double the amount of gold would probably decrease the unit value 50 per cent. or more.

I believe this is generally recognized as sound doctrine by the best economists, but do not remember seeing it stated in the form I have put it, that additions serve only to reapportion the total value, not to increase it. Prof. Irving Fisher, of Yale, appears to take this view. In "The Purchasing Power of Money," p. 157, he says: "We may now restate, then, in what casual sense the quantity theory is true. It is true in the sense that one of the *normal effects of an increase in the quantity of money is an exactly proportional increase in the general level of prices.*" (Italics are Prof. Fisher's.)

If this is true, free coinage of silver by the United States would have the effect of increasing the value of silver and decreasing the value of gold. No one can tell to what ratio they would come, and it is not likely they would keep any ratio for a considerable time. Other things being the same, prices would rise in gold countries because of the increased supply of gold

coin, and in this country would adjust themselves to the new conditions, as would the value of all credits given before the change.

Prof. Fisher also says in the same volume, pp. 249, 250: "Like the surface of the continents, the waters of the sea contain *many times* as much gold as all the gold thus far extracted in the whole history of the world," and adds: "It is to be hoped that the knowledge of how to get this hidden treasure may not be secured. To whatever extent inventors and gold miners might be enriched thereby, scarcely a worse economic calamity can be imagined than the resulting depreciation. It may be, however, that only by such a calamity can the nations of the world be aroused to the necessity of getting rid of metallic standards altogether."

That last sentence is worth a "five-foot shelf" of economic treatises of the vertiginous, whirling dervish type. Will the world heed it? Will it put its money on the solid foundation of equity before we encounter the calamity of attaining to the "knowledge of how to get this hidden treasure"? What a confession! In a state of dreadful apprehension lest we should solve one of the great problems now before the world! What a calamity it would be if gold became so cheap that we could use it in place of copper for electrical purposes; in place of

brass, tin, aluminum, and even in place of china, for household ornaments and table ware!

The same principle is frequently illustrated in the general market. This present year (1911), an increased cotton crop is worth less than the smaller crop last year. There has even been discussion of the proposal to burn part of it that the growers may realize more for the remainder than they can get for the total crop. It seems to be a generally recognized fact that the total value of a little less than enough of anything exceeds the total value of a little more than enough.

This is because the competition of sale is so much keener than the competition of purchase. Under proper conditions the competition of purchase will equal the competition of sale; then there will be no scramble for markets.

VIII

DISASTROUS EFFECTS OF FLUCTUATION IN THE VALUE OF GOLD

MANY persons affect to think the value of gold is unchanging, but this is mere pretense or an indication of ignorance almost incredible. Money is not exempt from the operation of the law of supply and demand.

The gold money in the world being the accumulation of ages, its amount is a practically fixed quantity for any brief period. It is probably not increased more than three per cent. by annual additions, probably by much less, yet it happens in almost every crisis that the demand for gold is increased enormously; probably 50 to 100 per cent., possibly several hundred per cent. within a few days. This increase of demand is not for productive purposes, but for the purpose of making settlements, confidence having been lost and extensions of credit refused.

Such a crisis could not occur with an ideal currency, but assuming its occurrence for the sake of illustration, instead of a contraction resulting because everybody knows money is going up and goods going down, expansion would begin at once by the shifting of individuals from

private to public employment. Instead of increasing in such crisis, available coin actually decreases by hoarding, as will hereafter be shown. It is claimed that gold used in the arts is melted and coined, and this is pointed to as an admirable natural provision to neutralize the disastrous effects of a crisis, but it would seem that if it really does occur to any considerable extent the advocates of gold money would be reluctant to admit it rather than quick to proclaim it, for it involves the destruction of whatever art value the things melted may have. To show that the adjustment of the money volume involves a loss is a desperate argument, even were the adjustment perfect, and is humiliating where the beneficial effect is so slight as to be only theoretical.

But even with such melting down of art works there is always a disastrous net decrease of coin at such a time—not of the coin in existence, but of the available supply, for hoarding becomes almost universal. Everyone knows that general values are falling rapidly; that is, that money value is rising. It therefore becomes exceedingly profitable to hold on to the gold and wait till general values have touched bottom before investing. By so doing the owner of coin can usually make from 50 to 100 per cent. in a few months.

No one who remembers the business wrecks

of 1873 or 1893 will think this an extravagant statement, and for the benefit of those who do not remember, as well as to refresh the memory of those who do, as to the fearful results of a financial collapse, we will examine briefly the English panic of 1847.

In his "Law of Civilization and Decay," (Macmillan & Co., New York, 1895), Brooks Adams says:

"By the Bank Act the usurers became supreme, and in 1846 the crop failed even more completely than in 1845. A drain set in upon the banks, the reserve was depleted, and by Oct. 2d, 1847, the directors denied all further advances. Within three years of the passage of his statute, the event Loyd had foreseen arrived. Monetary distress began to force down prices. The decision of the directors to refuse discounts created 'a great excitement in the stock exchange. The town and country bankers hastened to sell their public securities, to convert them into money. The difference between the price of consols for the account of the 14th of October (only twelve days off), showed a rate of interest equivalent to 50 per cent. per annum. Exchequer bills were sold at 85 shillings discount. A complete cessation of private discounts followed. No one would part with the money or notes in his possession. The most exorbitant sums were offered and refused by merchants

for their acceptances,'* consequently hoarding became general and, as the chancellor of the exchequer afterward observed, 'an amount of circulation which, under ordinary circumstances would have been adequate, became insufficient for the wants of the community.' Boxes of gold and bank notes in 'thousands and tens of thousands of pounds' were 'deposited with the bankers.' The merchants, the chancellor said, begged for notes. 'Let us have notes, we don't care what the rate of interest is, only tell us we can get them, and this will at once restore confidence.'

"But after October 2d no notes were to be had. Money was a commodity without price, and had the policy of the Bank Act been rigorously maintained, English debtors, whose obligations then matured, must have forfeited their property, since credit had ceased to exist and currency could not be obtained wherewith to redeem their pledges.

"The instinct of the usurer has, however, never been to ruin suddenly the community in which he has lived. Only by degrees does he exhaust human vitality. Therefore, when the great capitalists had satisfied their appetites they gave relief. From the 2d to the 25th of October contraction was allowed to do its work; then Overstone intervened, the government was

*Theory and Practice of Banking, Macleod

instructed to suspend the Act, and the community was promised all the currency it might require.

"The effect was instantaneous. The letter from the cabinet, signed by Lord Russell, which recommended the directors of the bank to increase their discounts, was made public about one o'clock on Monday, the 25th, and no sooner was it done so than the panic vanished like a dream. Mr. Gurney stated that it produced its effect in ten minutes. No sooner was it known that notes might be had, than the want of them ceased. Large parcels of notes were returned to the Bank of England cut into halves, as they had been sent down into the country.

"There was extreme suffering throughout the country, which manifested itself in all the well known ways. The revenue fell off, emigration increased, wheat brought but about five shillings the bushel,* while in England and Wales alone there were upward of nine hundred thousand paupers. Discontent took the form of Chartism, and a revolution seemed imminent. Nor was it Great Britain only which was convulsed; all Europe was shaken to its center, and everything portended some dire convulsion when na-

*This notwithstanding two successive crop failures in '45 and '46.

ture intervened and poured upon the world a stream of treasure too bountiful to be at once controlled.*

"In 1849 the first California gold reached Liverpool. In four years the supply of precious metals trebled, prices rose, crops sold again at a profit."

Did a disordered digestion ever produce such a nightmare? Not only the merchants, bankers and "Napoleons of Finance" in panic, but "extreme suffering throughout the country," over "nine hundred thousand paupers in England and Wales alone," "revolution imminent," and "all Europe shaken to its center." And consider, too, that the relief came by the *suspension* of a statute made, presumably for the benefit of the people, and when the law was nullified the relief came in ten minutes. Then later the "intervention of nature," when gold arrived from California, trebling the supply of precious metals in four years.

Those conditions are such as must occur every few years, in varying degrees of disaster, under any system of money the value of which is anti-

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*"A stream of treasure *too bountiful to be at once controlled,"* is infinitely suggestive. That was only sixty-four years ago, and the stream of treasure is increasing from year to year, but it is under control so complete that only the annihilation of certain sinister influences can save human rights.

thetical to instead of representative of general values; the value of which goes up when general values go down and goes down when general values go up.

In the account just quoted we saw the distress of merchants and men of affairs, with mention of the fact that there were 900,000 paupers in England and Wales alone. This is bad enough, but the full picture would show tens of millions of people suffering in varying degrees, not only in the acute stage of the panic, but during years before and after; suffering, but still striving against the fearful odds, not with success, but not with complete failure.

Fluctuation of the currency value brings disaster to merchants, manufacturers, bankers and others, but it brings still more suffering to the people at large who live by wages. Value is nimble, and the values of things constantly being produced and consumed will automatically change from day to day with a fluctuating currency, but wages cannot change so promptly, and time obligations of fixed amount, such as annuities, life insurance and long-time leases, cannot respond at all to currency fluctuations. As before said, natural money could not, if adopted during such a crisis, prevent all the deplorable effects. They are the culmination of years of wrong methods and cannot be instantly cured by adopting the right method, but the

worst would be avoided if in the beginning natural money were established. The idle would immediately have employment and industry would soon be on a sound basis.

With the present method of taxation, even with the proposed system, one of the two fundamental causes of depression would still be in effect—would work inequity and would result finally in low wages, but not in "no wages."

Since writing the foregoing, only a few days ago, the old cry of "over-production" comes from one of the leading beneficiaries of "under-consumption," if the newspaper report is correct. The Philadelphia Public Ledger of Sept. 6, 1911, reports James J. Hill of the Great Northern Railway, as saying, among other things:

"The right proportion between people who are producing and those who consume has not been maintained. While recent years have seen an increase of hundreds of thousands of employes engaged in industrial enterprises, there has been a decrease in the number of men tilling the soil."

And the Public Ledger adds:

"He said that the country's consumptive powers would have to catch up with its capacity for producing before business would feel an impetus."

This is a warning similar to previous ones from the same source, but nowhere does Mr. Hill indicate a shortage of "things to use." If we were living in conditions of equity, where each one who coöperated in production got his proper share of the total product, what would happen if one of high standing should announce that "the country's consumptive powers would have to catch up with its capacity for producing?" Would not the little children in the cotton mills and on the coal dumps; the men and women in the sweat shops, and the 84-hours-a-week men in the mills shout with gladness because of a well-earned vacation? That is what ought to happen, but it does not. Even these children and women and men are afraid they will not have to continue their killing tasks. No, they do not hail the respite, and Mr. Hill's prophecy was not of holidays, but of enforced idleness and want—want for the very things their industry produced in such abundance that the mills must shut down to let "the country's consumptive powers catch up with its capacity for producing."

The difficulty is so plain that any man can see it who does not approach the subject already believing it incomprehensible. It is perfectly plain that if a colony of people are engaged in growing food and making the numerous things they need to use they will never have any dif-

ficulty on account of "over-production," and if such a communistic or socialistic society change to individualistic and then find that some are in dire want while others have not only more than they can consume, but more than they can waste, it is evident the difficulty is not one of production, but of inequitable division of the fruits of industry.

Suppose such a socialist colony living wholesomely and happily on about such plane as many of our grandparents did less than a hundred years ago, and that three or four some-kind-or-other magnates come along and induce these simple, industrious people to be "taken over" for the sake of considerably more in wages than they are now producing. In a short time the output is doubled, but forty per cent. of it goes to the magnates and they are not able to consume it. They do not get it in goods, but in credits; the goods accumulate from year to year, and by and by are offered even below the cost of production; some mills are forced to shut down, others to run on short time or with reduced force, and the condition Mr. Hill describes as "over-production" is present with all its suffering.

And in the year of Our Lord, 1911, such explanations are soberly considered by men who pose as leaders of thought!

IX

CONSTANCY OF VALUE

IT is evident from the foregoing that so far as the disaster is attributable to the money system, it is caused by the fluctuation of the money value; its sudden and great increase of purchasing power. We have also seen that for long periods its value is steadily declining, and indications now are that during the present century, perhaps within fifty years, it will lose one-half of its present value.

It is evident that the only way to escape the disasters that come through these ever-recurring panics is to adopt a money as nearly constant in value as it is possible to devise. When we have such a money we shall have no more financial rigors, for such system will work with the same certainty and exactness as all natural laws; as the law of gravity.

It may be thought that this is an extravagant statement, and to those who think the eternal pull of gravity is best exemplified by the mountain peak that has stood for ages, it is so. But this is not a fit illustration. The unchanging mountain peak illustrates static gravity, but in economics we are dealing with kinetic energy; with forces, vital forces, in flux and interaction,

and the true parallel is gravity's action upon moving bodies, upon the worlds revolving in paths about the sun. These paths are said to be ellipses, but there are constant perturbations, and only in the larger sense are the paths of travel constant. But the corrections never fail, they are automatic, and thus the worlds are all held safe "in the hollow of His hand."

So shall our social interests be held safe when our laws are not makeshift inventions, but discoveries and application of natural laws. It has already been stated that the purchasing power of the proposed money will fluctuate within a very narrow range; that is, prices will rise and fall. This is necessary because it is the slight change in general values that brings about the adjustment of currency volume, just as the speed of an "automatic" steam engine is kept almost constant by the fact that if the speed slackens the actuation of the governor gives it more steam, and if the speed increases slightly beyond normal, the actuation of the governor reduces the steam supply.

Suppose an ignorant engineer should so couple up the governor of his engine that the slower it ran the less steam it would get and the faster it ran the more steam it would get at each stroke; what would be the result? Either the engine would stop for want of steam or it

would run at a constantly increasing speed until it destroyed itself.

Money is the blood of commerce, the circulatory system of the business world, but the governor of the engine that is the heart of commerce is coupled up in reverse order, with the result that the engine is kept ruinously racing until the load, acting as a brake, stops the increment of speed, when it rapidly slows down to collapse.

With a coin currency as now used; that is, with the unit consisting of a fixed quantity of the metal, the governor cannot be coupled up properly; and the variable quantity unit is not perfectly convenient; not wholly automatic in its workings.

Let us now examine as to the positive benefits to be derived from constancy of value, for its merits are not all included in the avoidance of disaster.

It may seem unnecessary to show what constancy of value is, but it will appear that this is a very important point and by no means so clear that all are agreed upon it.

In his "Money and the Mechanism of Exchange," (D. Appleton & Co., New York, 1875), p. 88, Jevons says upon this subject: "The ratios in which money exchanges for other commodities should be maintained as nearly as possible invariable on the average."

This is not an obvious fallacy, for such a money would be a vast improvement on any money in use, but it would not be ideal. It would be in effect a realization of the multiple standard whereby it is proposed to make the world staples the standard of value.

Constancy, or stability of value, does not mean keeping level with general values, for with constant increase in productiveness of labor, general values should be forever falling. A money of constant value, therefore, has a gradually ascending ratio to general values—will exchange for more.

My contention is that the ideal money is of this sort; that it will always buy more of the world's products than at any previous time (barring temporary scarcity and influences unrelated to the money system), but the minimum, or common labor money wage, remains forever unchanged. This is far better than to have the money value fall with general values, for the reason that it avoids the necessity of changing the basic money wage and leaves the real return to the laborer to be fixed by the operation of all the influences that express themselves in price. These influences act automatically, and during every instant of time. They do not wait for the week-end when the laborer receives his envelope to increase his pay, but increase it while he works and while he sleeps.

Under this kind of a money system, barring unrelated and contrary influences, such as a short crop, the real wage will forever advance without waste of time in conferences between employers and employes, who could not weigh all the influences operating and arrive at an equitable settlement under a money of falling value (one that would always exchange for other commodities at the same average ratio), even if they were very wise and wholly unselfish.

Then there are many employes who are engaged by the year or other term, and officials whose terms extend over a period of years and whose salaries are not easily changed. These should have their share of the benefits arising out of general progress, but could not get it if the purchasing power of the money did not gradually increase. The same is true of annuitants, of persons who have passed the productive period of life and are living on their savings, and of those persons whose compensation is to a degree fixed by customs not easily changed. A barber, for instance, could not well increase his charge except by adding five cents; but five cents is 33 1-3 per cent. of the usual charge for a shave.

Change of price, when production and competition are not modified by monopoly, is automatic and prompt, but wage changes lag behind, both as to advance and decrease, though

not so much in decrease as in advance, because employers, being fewer in number, can act more promptly than large bodies of men, and also because they are in a position to grasp the situation more promptly.

Constancy of value in the money will also operate automatically and promptly to lower wages when general values are high, but this will be only in case of scarcity, and then wages ought to be less without lockouts or nominal changes, for only in this way are the employers relieved of a hardship, and the burden of an unfruitful year distributed with exact justice.

It is not quite correct to speak of a general advance of values as resulting from an unfruitful year, for it does not apply to manufactures, except such as depend upon the annual crops for their raw material.

From all these considerations it seems certain that the value of the ideal money is constant, its purchasing power forever increasing because in a state of progression general values are forever falling. This may seem like a rash statement to those who think, with John Stuart Mill, for instance, that "there is no such thing as a general rise or a general fall of values. Every rise of value supposes a fall and every fall a rise." The attempt of this really great economist to define value is not unlike an attempt to describe the positions of objects that

are moving rapidly and confusedly, by referring each to all the others. It is impossible to state altitude intelligently without a datum or level from which to measure it. Every altitude has a ratio to every other altitude, which may be expressed in figures, but what infinite confussion it would be if we could not express the height of a mountain by giving its height above the sea level, but only by saying it is "half as high" or "twice as high" as some other mountain. Suppose that we decided to obviate some of the difficulty by selecting a certain mountain for a standard. If we were then told that altitude is the "ratio of height" we should rightly think topographical science to be in a very crude stage. Even after the adoption of the sea level as a datum from which to measure elevations on the earth, we should think of a man as of the earth earthy who should declare it impossible that all altitudes could sink. We cannot properly say there can be no general lowering of altitudes, for there may be a continental sinking or a general lowering, including the sea level. The earth may shrink many miles in diameter and we may or may not be able to detect it. In like manner all values may fall, including the value of money, or general values may fall and money value remain constant, which latter is the desirable condition.

By "low values," if the expression be prop-

erly used, we mean that *things are easier to get than formerly,* and when this is true of things in general, but not of money, it is proper to speak of money value as being constant and of other values as falling.

It is conceivable that progress may continue to the point where everything will be produced in such abundance and with so little labor that values will disappear. Surely it would then be admitted that a general fall of values had taken place.

Some writer has likened value to an obstacle or difficulty which must be overcome in order to acquire a desired object. If we define it as "resistance to acquisition" it then becomes plain that *all* values may fall, for it is obvious that things not only may become easier to get, but that they *should* be easier to get from year to year, and failure to recognize this fact is, to a degree, failure to connect the science of political economy with human life.

It may be contended that the money wage should change, because, as humanity advances, the hours of daily labor will gradually be reduced from eight or ten hours to five or six a day, or even to three or four, and that in this event if the money wage remain the same then we may properly say that money value has fallen.

Even this contention is not sound. When

the hours of labor are reduced under free conditions they are reduced because the product of fewer hours is greater than formerly was the product of more hours. A lad of twelve or fifteen alone on an island might have to toil fifteen hours to sustain life. As he grew stronger and more skillful he could get more in less time, and we should not think of referring to his increased product as being less, even in value.

Humanity is growing.

However, I do not believe development will be along the line of constantly shortening the work day. To the man worn by long hours of toil, inaction may seem the delectable state, but he is not really striving for fewer hours of employment. He is striving to achieve emancipation from necessity; not that he may lessen effort, but that he may direct effort to higher aims; may make it minister to his aspirations instead of merely serving his necessities. If he does not so direct his effort, does not aspire, but uses the free time he has won for indulgence or sloth, he shall relapse into a slavery worse than that from which he has emerged, for slavery to passions and appetites is the basest serfdom, and sloth is but a slower death.

It is not a shorter day men want, but fewer days of work; or better still, fewer days of work in the year and fewer years of work in a life; more holidays when a considerable percentage

of the people are disengaged, with a week or two of general vacation in the spring and fall, but with eight or even twelve hours a day for the work time when at work. This will make for the development of men far more than a shorter day, but the same work time. Time off from livelihood work is effective for development about in proportion to the square of its continuous duration.

Another consideration favorable to a money of constant value; that is, with a purchasing power that absorbs the increase of productiveness, is its effect on the interest rate. If money is known to be shrinking in value, making a constant advance of prices, it would seem the interest rate must continue high, as men can buy for an advance. Per contra, if general values are falling men can do better to loan money or credits and buy later at lower prices. If general values were known to be decreasing each year by a substantial amount, say two or three per cent. (economic advance being so rapid), the interest rate for money loans would be at least two or three per cent. below the rate for property loans.

It appears, therefore, that Jevons' implied statement that constancy of value consists in maintaining a fixed average ratio to "other commodities" is not sound. He probably had in mind the constantly falling value of coin and

had not considered the fact that a money of constant value enjoys a constantly increasing purchasing power because of increasing productiveness.*

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*When increase or decrease of value is spoken of as applying to natural money it will be understood that the expression is used to avoid circumlocution and that the change is really in general values.

X

INCONVERTIBLE CURRENCY

INCONVERTIBLE currencies have failed so often that economists generally pronounce against them, and yet in such terms and with such qualifications (sometimes, at least,) as seem to indicate a belief in them in spite of failure. It does not appear to have occurred to them that coin systems of money have failed oftener than the inconvertibles; that they fail every few years; in fact have failed so often and so regularly that they are thought to have a periodicity of fifteen to twenty years. Indeed, there does not seem to be any doubt in anyone's mind except as to the *time* of failure. Yet we have libraries of learned volumes on the subject of money from which it would be easy to compile an apotheosis of gold and silver requiring a large volume to contain it. And these same writers give accounts of disasters under inconvertible and coin currencies, apparently with never a suspicion that there is any similarity of cause in the two cases. This is because they have not recognized the truth that every currency in the world is an inconvertible currency in fact whatever it may be in name.

In America, England and Europe, when times are good, anywhere from 75 per cent. to

90 per cent. of what performs the function of money consists of credit instruments. Nominally these credits are convertible into coin, but practically they never are and never can be, and the collapse always comes when the attempt is made to convert them. They are just what Jevons says the inconvertibles are, "in all instances put in circulation as convertible ones, or in place of such, and they are always expressed in terms of money."

The same eminent authority also says ("Money and the Mechanism of Exchange," p. 234): "There is plenty of evidence to prove that inconvertible paper money, if carefully limited in quantity, can retain its full value. Such was the case with the Bank of England notes for several years after the supension of specie payments in 1797, and such is the case with the present notes of the Bank of France."

The use of the expression "if carefully limited in quantity," shows that he had no conception of a natural money that would be self-regulating.

And if it is true, as I believe it is, that increase of the coin volume adds little or no value, but only subdivides it more minutely; that is, if prices go up about in proportion as the coin volume increases, is it not plain that the value of a coin money is exactly like that of the inconvertibles heretofore used, and that its only

advantage is that the coin itself *cannot* be increased by official act, whereas the inconvertibles heretofore used could so be increased?

But the credits supposed to be based on coin, though not in fact so based, being really based on a universal, but misplaced confidence in the economic fallacy, are not only subject to "over issue" by official act, but are subject to both increase and decrease by the self-constituted dominators of credits, who are thereby able to whipsaw the people; to "catch them going and coming," as the expressive phrase puts it.

It is plain, then, that a *self-regulating* inconvertible is better than coin, because

The advantage of coin, that it cannot be increased by official act, is more than offset by the fact that it cannot be increased nor decreased to any adequate extent by the demands of trade.

That it decreases by hoarding when the demands of trade are for an increase.

That credits, which perform most of the functions of money under a coin system, are subject to increase and decrease by interests that profit at the expense of the people.

So the difficulty of inconvertibles is not in the principle involved, but in the imperfect methods of applying it in practice. The same author says (p. 235): "The principal objections to an inconvertible paper currency are two in num-

ber: (1) The great temptations which it offers to over-issue and consequent depreciation. (2) The impossibility of limiting its amount in accordance with the requirements of trade."

The second objection includes the first, for it is plain that if "the requirements of trade" can be made to regulate the volume, and if there is no legislative, executive or judicial power to regulate it except by constitutional amendment, the volume will always be right and the value will be as nearly constant as the speed of a Corliss engine.

"The great temptations to over-issue and consequent depreciation" are the very things that bring disaster where coin currency is used, but the over-issue is of *private* credits, and when the collapse comes, as it always does in a few years, it is not a burden that falls on the people as a whole, debtors and creditors, but is a burden on the debtor class and a source of gain to the creditor class, and in addition to this, business being paralyzed, nearly all are injured by the demoralization and partial suspension of industry. An over-issue of the proposed money could not occur except in case of war, the cost of which would be the over-issue, a non-interest bearing debt, and the contraction (payment of the debt) would extend over a period of years and be an equitably distributed burden upon all. The contraction of credits, under a coin

currency is sudden and disastrous, and works a ruinous transfer of titles to the actual wealth of the country. Yet the people, even the bankers and men of marvelous sagacity in planning and executing great enterprises, are fooled decade after decade and century after century by the fiction of a coin currency, when in fact the coin is so small a fraction of the real (though not legal) medium of exchange that it serves only as a hard spot to fall on when the crash comes. The so-called statesman addressing the people on the beauties and desirability of a coin currency is a re-incarnation of the fakir selling the people pebbles with which to make "rock soup." Honest? Of course he is honest. Superstitions are always honestly believed until we discover they are superstitions.

Translated into plain terms, his recipe for a sound currency of the rock soup variety is: "Take two billions of this yellow metal and mix well with ninety millions of industrious, enterprising people. This is your soup stock. To prepare for serving, add about twenty billions of confidence expressed in the form of credit instruments, and you have your currency rock soup." He ought to add that with this currency rock soup there is always a tendency for every one of the ninety millions to add a pinch of confidence and that this cannot be prevented; that when a certain point of excess confidence is

reached the confidence evaporates like a flash; that then there is soup only for those at the head of the table, and scarce enough for them, but another kettle will be prepared by and by, when all who survive the interval will be served.

As there cannot be gold enough to be money enough because the value decreases as rapidly as the volume increases, and as a coin currency must be supplemented by many times its volume of credits, which serve temporarily as a medium of exchange and are always suddenly "demonetized" by failure of confidence, it is evident that the weakness of a coin currency is no less of a menace than that of inconvertibles heretofore in use, and is in fact of the same character.

It is therefore plain that whatever legal tender money we have, the real medium of exchange must be in the main inconvertible credit even though nominally payable in coin.

It is plain also that every inconvertible money, the volume of which is regulated other than by the demands of trade, is fatally defective and must break down sooner or later.

Wherefore we may as well abandon the superstition of providing a hard spot to fall on; recognize the fact that the only sound money is an inconvertible one, and adopt such a one as shall have its volume regulated by the demands of trade and not be affected by any other influence.

The proposed system will furnish such a money.

Wherever regulation of the volume of an inconvertible money rests with the executive department of government, or even with congress by ordinary enactment, the temptation to over-issue is a fatal defect, for whether over-issue occur or not, there is always danger that it may occur in the future, and this danger cannot be eliminated; and as the value of such money is antithetical to general values (goes up when they go down and down when they go up), it is not merely temptation to over-issue, but an *irresistible pressure* to do something in desperate circumstances, and knowing nothing else to do, the over-issue is made.

As this temptation to over-issue is usually considered the peculiar defect of inconvertibles, it is well to emphasize by repetition that coin is open to the same objection, by the expansion of credits, and that in large measure this is done by individuals who profit by it. Such over-issue preceded the panics of 1893 and 1907, in fact, all panics. In 1893 and 1907 the banks, wisely, I believe, issued Clearing House certificates which temporarily served as money, and arbitrarily refused to pay out money to depositors except in very limited amounts. This, too, was probably wise, for it curtailed speculation, but it shows the defects of the money system, and

that a coin currency is not free from the weakness of the inconvertibles, "temptation to over-issue" the credits.

The Clearing House certificates referred to were not a part of the over-issue. They were a kind of panic parachute to break the fall in the general collapse following the preceding over-issue of credits, a special brand of "confidence" to put in the currency "rock soup" when the other had evaporated, and proved decidedly acceptable. They might be called a "wind pudding" dessert substituted for the soup and other courses that failed.

Formerly, but not now, the temptation to over-issue attached to the coin itself, for debasement of the coin, over-valuation of the metal, is nothing but over-issue. Of this the same eminent authority says in the same volume (p. 80): "The annals of coinage in this [England] and all other countries, are little more than a monotonous repetition of depreciated issues, both public and private, varied by occasional meritorious, but often unsuccessful, attempts to restore the standard of the currency."

It is true that such "over-issue" of coin is more obviously fraudulent than improper expansion of inconvertibles, and is therefore less likely to be resorted to; but the unwarranted expansion of credits under the coin system, and expansion and contraction by shrewd and un-

scrupulous manipulators, is not open to view, and is a danger more completely hidden than that of the inconvertible.

There is a conceivable danger, but not a danger in fact, that applies to the proposed money and to all inconvertibles, from which coin is exempt in a slight degree, and that is the possibility that the government may abandon the system in use and substitute another. There may have been a time when this possibility was a real danger, but now it is negligible, for in this day of international commerce and world-wide private interests no nation can afford to deal in bad faith. The only advantage of a coin money in such circumstances is the coin in hand, for a coin obligation that is not paid is as worthless as any other.

Such small salvage "in case of a wind-up" and abandonment of the system is of no weight. The proposed system will eliminate not only the fear of a wind-up, but all concern in regard to the currency. There will be no more thought of "seeking relief" from the Secretary of the Treasury, or of importuning congress for financial legislation, than of asking congress to regulate the price of wheat, corn and cotton. No nation would ever abandon a system that works perfectly, makes manipulation by special interests and dishonest officials impossible, and assures equity to all so far as equity depends upon

the money system, and never breaks down. Is it conceivable that a system under which no panic could ever occur, except the panic of individual plungers, could be abandoned? Could it be abandoned to resume one under which panics are periodical? It is unthinkable!

While I do not believe there is now any danger of debasement of the currency by legislation, it is constantly being debased by the enormous production of gold, and we all know that manipulation by means of cunningly devised laws, the purpose of which (unknown perhaps to the legislators) is to concentrate credits, is a menace scarcely possible to over-estimate.

Even now it is believed by many that such a movement is afoot, and that its adoption is possible, not because it is considered safe, but because the present situation is intolerable. Independently of official sanction, or rather I should say, independently of legislation, the interests have already appropriated in large measure the issuance of credit, and in the National Reserve Association bill, are suspected of seeking official recognition of their "dominance of the sea of Volume." Even now they are said to have the power of life and death over all large enterprises requiring bank accommodation to the extent of a million or two millions of dollars, or desiring to market a few million dollars of bonds. It is not a question of the merit of

an enterprise, but a question as to the friendliness or unfriendliness of those who dominate the issue of credits.

The contest between President Jackson and the National Bank nearly eighty years ago is a well known instance of attempt to coerce the government. It failed because Andrew Jackson was President. Now we have a stronger interest which is suspected of working to accomplish what Biddle and his associates failed to accomplish—and there is no Jackson in the White House to foil them.

Is it conceivable that a people would abandon that system of money which is an assurance to every man of an opportunity to work at a living wage in case of loss of employment?

Is it conceivable that the plain people who work for wages would ever consent to a "lockout" of the public employment workers and thus increase the competition for private employment?

Is it conceivable that a people who had realized a part of the public benefits such system would bring—highways, drainage, irrigation, telephones, electric light and power systems, and vast improvements in all we now have of other public utilities and schools, and steady and increased wages to privately employed labor—is it conceivable they would consent to abandon the great works before completion, allow them

to fall into ruin, and go back to a system guaranteed to bring the rigors every fifteen or twenty years, with soup houses and bread-lines for honest workers!

It would be as reasonable to suppose that the people of a malarial country made healthful by drainage would destroy the system that had brought them health.

XI

REDEMPTION.

OBJECTION is always made to an inconvertible currency by the advocates of coin that it has no intrinsic value (meaning that it has no value in its material) and that it must therefore be redeemed; that this is a fatal weakness.

The objection is not properly stated. The real criticism is that the money may come to have less value than formerly and thus work inequity. (Of course it might suddenly increase in value and thus work inequity to debtors, but this is not usually the case and is not the ground of the objection.) The same objection holds with reference to gold, but not to the same degree. It is constantly decreasing in value, probably having lost 50 per cent. in a little over sixty years, and almost certainly having lost 60 per cent. in the last three centuries. It is therefore not "redeemed in exchange" at a uniform average ratio to things in general. The real objection is against any money, coin or inconvertible, that is deficient in constancy of value.

The only advantage of a coin currency as to redemption is that in the event of a collapse of

the government the small amount of coin each person may have in actual possession will be saved. But this amount is trivial for the average person and is not really a factor. As for gold obligations, they are no better than others if they fail. If the government fails its gold bonds will not be paid unless by the succeeding government, and if this succeeding government would pay the gold bonds it would continue the proposed system in force if it found it in force.

But the contention for coin money "lest the government fail" is not sound as against a self-regulating inconvertible. The real fear is not of the government's ability to maintain the value of the proper volume of currency, but arises out of the acknowledged fact that no government (nor all governments together) can maintain constancy of value when the volume is greater or less than the demands of trade.

That there is no fear of government failure other than this failure to do the impossible is shown by the fact that at every opportunity government bonds are accepted at a low rate of interest, and the *longer they run the lower the rate of interest* at which they will float. It follows, then, that when we have an inconvertible that is self-regulating and of constant value, the only possible ground of fear will be the total

failure or complete overthrow of the government.

It would be well for the reassurance of those who are troubled by such a fear if some economic actuary would make a table giving the "expectancy of life" of nations of all ranks. They could then have their bond purchases underwritten by the combinations that are accredited with giving advice (and sometimes orders) to our government officials. Assuming a thousand years as a reasonable expectancy for a great nation, the present value of the principal of a $1,000.00 bond is something more than one-fourth of one billionth of a dollar, one forty millionth of one cent.

So the final redemption, the value of the material in the dollar, to be realized at the wind-up, is no value at all. There is no ground to discount the properly regulated money of a great nation, but we may well distrust, and ought to discontinue the use of money subject to expansion and contraction by statute, as congress may be induced or coerced into doing; that may be affected even by the act of the Secretary of the Treasury, and that is constantly depreciating in value because of the discovery of more productive mines or the invention of improved methods of extracting the money material. The great nations of the world are resting upon a worse than gambling chance when it would be

easy to rest upon certainty and have a money far superior to gold even if gold could be relieved of the fluctuations due to the rapid increase of supply and its withdrawal in time of stress.

We do not want a money whose merit is made up in any degree of prospective salvage at the final wind-up. A government should not provide for its own failure. The present value of our gold currency, counting it as two billion dollars, and the wind-up as one thousand years hence, is less than the price of a postage stamp.

The ideal money is redeemed by service. It is because all the individuals of a nation owe service to the government and because the surrender of the currency cancels that service, that they receive it in exchange for goods. The last person who gives service or goods in exchange for such money, and then, instead of having it redeemed again, turns it in to pay his taxes, has given it its final redemption. It is not the function of government to redeem money. The money is not a government debt, but the government's receipt for a debt paid, and there is no obligation on the part of the government except to acknowledge it as such receipt and receive it in lieu of service.

It may be well merely as a matter of form to issue these certificates specifically as title deeds or certificates of ownership in all public property, including the land; an undivided interest.

This is the effect whether it be so stated or not, but if it were so stated and understood by all the world, even were the government overturned by an invader and a new government set up, the money system could not be superseded except by such impolitic procedure as no conqueror could afford to adopt. Suppose the certificates had printed upon them: "Receivable for all government dues." This would make them title to the use of land until they were redeemed by the rental value.

And why should even a conquering invader wish to change such a system? It would be a difficult and expensive change without any accruing benefits; in fact, only loss. It would make the raising of a revenue more difficult, reduce the amount of it and insure the downfall of the new government.

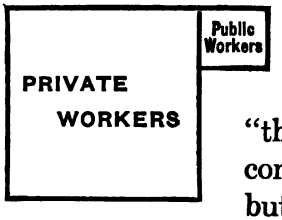
It could not happen. Whatever may have been the case heretofore, this is now true, that such fear as may exist of government failure and consequent failure of redemption, exists solely and only because, under the present monetary systems and the universal policy of bond issues, governments may obligate themselves to the point of insolvency. Under the proposed system this cannot be done. The government will never issue bonds, and the only liability on the currency is to receive it in lieu of service due (taxes). Under present systems of money,

governments not only go into debt, but the great nations have no restraint, rather are encouraged by the so-called interests to incur heavy obligations in order that the bonds may be had for investment. Under the proposed system all interest charges against the government are eliminated and the burden of all expenses, regular or extraordinary, is distributed with exact justice through the reduced purchasing power of all the money in circulation; that is, through higher prices, yet it remains the measure of a common-labor day. And whereas the purchasing power of this money will fall where more than the normal force (as in war) are in public employment, the fall will be exactly proportioned to the shift of activity, as it should be, and its return to normal purchasing power will be exactly proportioned to the return of activity to private productive enterprises, also as it should be, for when the quantity of money increases and the production of consumption goods decreases, each person in the community must be content with less than his accustomed portion or must spend more hours per day in productive activity. It should be mentioned that the widespread tendency to do this is a check on advance of prices, and to the extent it is practiced measures the extent to which the people are paying as they go. Under our present system interest-bearing bonds are

issued, and this not only affords opportunity for speculation and sharp practice, but their value depends upon the opinions of money lenders who are interested to get them at the lowest possible price, whereas the value of the new system money issued for extraordinary expense is fixed as the prices of all things in the general market are fixed, by all the influences that operate in the economic body and without any suspicion or possibility of unfairness or trickery.

I have said of this money that every unit is born free; issues in payment of service voluntarily rendered. It is significant, therefore, to note Nature's beautiful provision for putting to death every baseborn dollar that makes its appearance; that is, every dollar that is the issue of enforced (unfree or involuntary) labor. Its presence is tolerated in circulation only for a short time. Its influence is corrupting, poisonous, and it will soon be sent to execution by cancellation.

To illustrate still further the only real redemption about which we need be at all concerned, let us make a diagram representing our colony in different stages of its development. In the first stage let us suppose that 10 per cent. of the productive workers are in the public service. Taxes are 1-10, or 30 days.

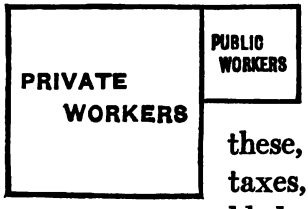


These 100 men in the public service are entitled to one-tenth of all the "things to use," assuming, for convenience, uniform efficiency, but as they are engaged in making something for common use by all the people, they must get their real pay from the 900 who are making the things to be used by individuals. The equity of the situation is the same as if things were owned in common, except that the more efficient workers get the benefit of their greater efficiency. The certificates the public workers get are therefore mere titles to their share of the "things to use," and as they produce 60,000 of them if they work 300 days each, during the year, with 6,000 of which they must pay their own taxes, the total value of the privately produced goods is $540,000. The 900 people with their private products are the only ones to redeem the certificates (money) because those men in continuous public service were working out the time due from the others as well as their own time.

If we express the production of the private workers in terms of wheat bushels it will be easy to see what the price of wheat will be. Suppose they produce 810,000 bushels of wheat. The public service workers must be able to buy 81,000 bushels of it for $54,000, which is 66 2-3 cents

the bushel. As each man raised 900 bushels, and it was worth 66 2-3 cents the bushel, the private workers earned $600 a year each—the same as those in the public service, or $540 over and above taxes.

At a later stage 20 per cent. of the people will be in the public service, not because 80 per cent. can produce as much as 90 per cent. formerly did, but because they can produce a great deal more. Not all the labor set free from maintaining the status quo goes into public service. Probably half of it goes to advancing the status quo in privately owned production, but now the diagram will be:



Those in public service now cause to issue $120,000 in certificates, but must use one-fifth of these, $24,000, to pay their own taxes, taxes being now doubled, so now we have twice as large a volume of currency with which to exchange goods privately produced. There will be $96,000 with which to buy one-fifth of the "things to use." But each dollar must buy more than formerly, for real wages have increased while the money wage has remained unchanged. We will assume therefore that instead of producing 810,000 wheat bushels of "things to use" the 80 per cent. of population produces 960,000

wheat bushels of things. Now the public service workers must be able to buy one-fifth of it with $96,000; that is, 192,000 bushels at 50 cents the bushel, so each worker now is able to purchase 960 bushels of wheat with $480.00 left after paying his taxes, whereas previously he could buy only 810 bushels with the $540.00 left after paying his taxes.

Thus we see the volume of money has doubled, but its purchasing power has increased. Yet the total production did *not* double. It increased only from 810,000 to 960,000 wheat bushels of consumption goods, but the larger total of consumption goods was produced by a smaller number of workers and everybody enjoyed an advance of wages. To state it differently, twice as much money, with a little less than 20 per cent. more of goods to exchange, and twice the amount of taxes to pay, enjoys an increase of 33 1-3 per cent. in purchasing power —buys four bushels of wheat where it formerly bought three.

Of course the foregoing figures are merely for illustration. People will not pay taxes but ground rent (those who use the ground). What percentage of labor will go into public service need not give us any concern, for as it will go there because it is not required in private enterprise it will be so much energy saved as compared with allowing it to be wasted in idle-

ness, and in any event it will be much better for privately employed labor to have these men engaged in public work than to have them competing for the places of privately employed laborers and forcing wages down.

The purchasing power of the money cannot go down except as real wages fall (real wages being what the money wage will buy), and this can happen only as prices go up. The real wage cannot go down in private employment under increasing production except as the laborer is forced to give up out of his private production more than the increase of production. This can be done only by levying tribute upon him such that he cannot escape it. It cannot be taxes (the money issue), for though the taxes are larger, we have seen that more persons go into public service at the later period *because the smaller number then in private employment* can produce more than formerly could be produced by the *larger number* of *private workers.* The only other power that can take from him a part of his product is some person to whom he occupies the relation of serf, slave or tenant.

As we never had serfs, and no longer have slaves, it will be the landlord who takes it if the laborer should prove unable to retain it all. But even so, the laborer will still be able to get the minimum wage and not be forced into the bread-

line, and the money will continue to be redeemed at par in the things that constitute the real wage of a common labor day.

Under this system more money would constantly be used because of a nearer and nearer approach to a strictly cash basis, wherefore its purchasing power would not fall in proportion to the increase of volume per capita; not even as the volume increases in ratio to the business to be transacted, for a cash basis requires much more money for a given volume of business.

This, however, is clear, that the increase of privately produced wealth must appear as wages except such as goes to capital as interest or to the landlord as ground rent. There is no other place for it to go. We do not have to deduct even taxes, for we are considering the *increase* of privately produced wealth.

Interest is earned by the individual who loans his surplus and need not be discussed further than to say that in free conditions the interest rate tends always to decrease, but where we have monopoly the interest rate will be as high as can be realized by investing in monopoly.

Wages, of course, are earned, and each one of the 800 privately engaged workers in our colony will give the product of a minimum labor day for two of the certificates with which to get money to pay his taxes—the product of sixty days for enough of them to settle his entire ob-

ligation to the state. And the amount they must buy is exactly equal to what the public workers have to sell.

The 800 private workers produced 960,000 wheat bushels of wealth; 1,200 wheat bushels of wealth each, assuming equal production for all workers.

But suppose an individual had a piece of parchment declaring him the owner of the land, and they were obliged to give him one-third the crop for the right to use the land. If this were the case 320,000 wheat bushels of the wealth would go into the landlord's bins, and there would be but 640 wheat bushels of wealth each for the workers, instead of 960; that is, the money would be redeemed in wheat bushels at 75 cents.

But unless shipped away the 320,000 wheat bushels of wealth will be offered for sale in competition with all the other wealth, for the landlord cannot use it all. This will demoralize prices and if there is any wise counselor in the colony of the near-statesman variety he will explain the difficulty as the result of "over-production."

Let us recapitulate:

Workers go into the public service because, by reason of slightly increased purchasing power in money, private enterprises do not employ *all* the labor open to engagement.

Workers leave the public service because, by reason of a slight decrease in purchasing power of money (increase of prices) private employers offer a slight increase. The vibration of prices is always such as to correct the volume of currency and insure permanent correspondence between the money supply and the demauds of trade.

XII

LEGAL TENDER

IT was Herbert Spencer's contention that individuals should issue money, but if he had seen that the receipts for communal service were the best money possible to have, that such money would automatically regulate its volume and value, he would doubtless have pronounced it the natural money and have likened it to the blood of the physical organism which flows to the part where it is needed in the quantity demanded (within the limits) to perform the required work. He might have carried the simile further and have said: As in the blood, when each particle has done its work it is eliminated, so in this money system, each particle is eliminated (canceled) when its work is done, and if it were not it would corrupt and poison the system.

And I am very sure he would specially have dwelt upon the fact that in this system no dollar can issue except some individual or company render service to make its birth legitimate.

With the system he proposed the community would not only be dependent upon the integrity of individuals, but as individuals are short-

lived, the money issue must soon be in new hands and subject to vicissitudes.

Governments, too, are subject to vicissitudes, but only to such as befall a whole people, and this chance we must take, and, as we have seen, if the government fails it fails to pay gold and silver bonds. The only possible advantage then to the people at large would be as to the small amount of money in hand—a few dollars for the average person. Spencer had doubtless only coin in mind.

If it is the proper function of the government to issue money upon the request of the individual who has performed his part, then it is right for the government to issue *all* the money on the same terms to all persons who meet the conditions, for that which the government should do the individual ought not to be forced to do nor allowed to do. In their money people ought not to be hampered by being obliged to inquire as to anything except "is it money?" ought not to be put upon their inquiry as to its value. If individuals are allowed to issue money there may be a thousand different designs, all of which it would be possible only for an expert to know.

It therefore seems conclusive that the government should issue the money and that it should be the counterpart of all public service and products of such service, the expression of the

government's share, which no man can appropriate and which even a conqueror cannot carry away.

The money is title to an undivided interest in all public utilities and benefits.

And this title runs with the land, because it was, or should have been, paid out of land value.

If the government ought to issue the money it should define its status, and most or all governments do this by proclaiming the currency of the realm "legal tender," the meaning of which is that if an individual be indebted to another, in general terms; that is to say, owe him a payment expressed in the generic term of "value," he may discharge the debt with the legal tender of the realm.

This is only to say that if any man invoke the aid of the government for general recovery against another, he cannot demand any of the thousands of things that constitute property, but must accept the generic expression of value, known as money.

This is a reasonable provision, for if a successful litigant do not accept money in payment what shall he take, and who shall determine? Money is in fact *everything,* with the option of selection, wherefore, in normal conditions, the man who is paid in money is paid in everything and anything.

But is it necessary or even advisable to make

a legal tender? Is it a necessary function of money?

It is necessary that money be practically a legal tender, whether it is in law or not. It must be commonly accepted in order to perform the function of exchange, and ought to be the *only* medium of exchange in order to avoid confusion and loss of time. Such medium of exchange is practically a legal tender whether technically so or not, and if to this we add by statute or the custom of courts the refusal to render judgments for general recovery in any other terms than money, it becomes a legal tender in the fullest sense.

If, in addition to this, it is made receivable in lieu of all obligations to the government, it becomes all that any legal tender should be—all that it can be, for everybody will take it at what it is worth and nobody should be forced to receive it for more than it is worth.

And again, as to more definite expression on the subject of legal tender, my conclusions are:

It is a proper function of government to give to individuals who perform government service a certificate of title to their undivided interest in pubic benefits.

These certificates, if in convenient form, will be the money of the realm with or without decree.

If general recovery is rendered only in terms

of these certificates, they will be legal tender, and

If the government promises to receive them in satisfaction of all dues to the government, this is the only guaranty the government can properly give, and anything more is in the nature of a boasting cheat.

XIII

THE STREAM OF CURRENCY

ASIDE from the money exchanged for coin, it is evident the total volume at any given time will be the previous cost of government and public works less the cancellations by payment of taxes and accidental losses. Just now we will not concern ourselves about the volume of currency circulating, the reservoir or sea of fluid credit, but take a view of the stream that is to feed this sea; trace it to its headwaters and discover whether it is a living stream or one that is going to run dry, for our system, if it is to be the ideal one, must be a permanent system; not one that will serve for a century or two, but for all time—at least so long as the distinction of "mine" and "thine" continues. This may seem like looking far ahead; taking care of posterity, as it were. It is. But if Cheops needed a firm foundation, so, too, does our monetary system. If we meet the situation we shall lay "great bases for eternity," that "all alone stand hugely politic," which shall outlast crumbling stone and be a monument to justice between man and man as long as the world lasts—at least until we shall have achieved the Greater Redemption and proved that the primal

curse of ejectment concealed the key with which we open the gate of the Greater Eden.

There need be no fear for the supply of our new money, at least for the near future, for the outlet will be abundant until we shall have transformed the face of the earth. We shall need all the energy that can be spared from maintaining and advancing the status quo, and as the productiveness of labor will increase by marvelous strides in every line, it is self-evident the "free labor" will be an enormous and ever increasing amount. I may as well say now that within two or three hundred years of the inauguration of economic justice, as nearly as we now know how to be just, we shall spend through the agencies of government not less than $600,000,000,000! Yes, six hundred billions of dollars—nearly one hundred and twenty-five times the Federal cost of the war between the states. (I think it will be nearer a thousand billions, but desire to be conservative.) This is a tidy sum, but we shall have it to spend. Not only shall we have it to spend, but it will not even be a burden on any one. All public works pay for themselves within a very few years by the saving of energy otherwise wasted.

For instance, we need at least two million miles of highway, the finished cost of which will not be less than $10,000 the mile. This will provide for twenty billions of issue, and we need

even larger amounts each for drainage and irrigation, which will include provision for power. We must prepare ultimately to feed 400,000,000 people in the United States. We will conserve the water where it falls and use it both for power and irrigation, and the irrigating system will be also the drainage system, at least in large part. When we have from two to four hundred million horse power from the rainfall, and multiply our possible agricultural production several fold, the energy freed for still further public work will be almost incalculable, and soon after these, with other public utilities, are extended and expanded, we shall have so much energy set free from necessity that even the houses will be largely built and furnished by the local communities; to let for a day, a week, or as long as wanted at a moderate charge.

Such houses as we shall build will cost an average of $10,000, and if we have forty millions of them for two hundred millions of people, this will be four hundred billions of dollars additional.

And such roads, such irrigating and drainage and power systems! Think of two million miles of boulevard, with electric lights that are automatically turned on ahead and off behind as you speed along in your auto! Telegraph, telephone and postal systems on a like scale!

There need be no fear of an outlet for the

currency until all these great works shall have been accomplished.

But even if all this be granted it may be contended there will come a time when, all the improvements completed and nothing but repair and the ordinary administrative expenses (which will then be light), there will be no door of issue, at least not for sufficient volume.

It may happen that a time will come when little in the way of utilitarian work will remain beyond repair, but I do not see how a people who are constantly growing intellectually, ethically and esthetically can possibly forestall themselves. Evolution always preserves the balances.

It is said that something more than half a century ago one of our great senators (there were a number of great ones then), speaking with another, commiserated the oncoming generations because "all the great questions had been settled"! It appears to me his thought was not more ludicrously absurd than the one under consideration, yet, as the question troubled me it may trouble others. For this reason I have considered it along the same lines my own thought followed, almost regardless of unity in plan, to find at last that there is no real difficulty.

For suppose the public service reduced by half or even by three-quarters from the highest amount for any year. It will simply mean that

man has grown from an economic pygmy to an economic giant, and as this money is an expression of manhood, it will have grown, too. It multiplies by section, grows by way of the fourth dimension; the cent will have become a dime, the dime a dollar, not in name but in purchasing power, and if need be the cent can become a dollar. Reduction in general values is exactly the same as multiplying the volume of the money. Even if there were no actual increase of the issue, to double production would be in effect to double the currency by the halving of prices.

But as a matter of fact the communal or government work would never be such that fewer persons would be engaged in it, for every step of advance means that altruism is developing toward parity with egoism.

Now, it is evident that when altruism equals egoism there can be no private property, no distinction of mine and thine; and while I do not believe humanity will attain to that stage so long as any irksome effort is necessary to life (at least there will be no irksome labor then), I do believe that altruism will equal egoism in a constantly widening circle of associations and with reference to a larger and larger list of material things now the subjects of private ownership. For instance I believe that within two hundred years of the time when economic justice

is established, the distribution of population will be totally different from what it now is. Congested cities will be a thing of the past; a nightmare dream that is ended. The city will be an almost unbroken line winding about the country, or a succession of villages or towns, almost contiguous, intersected at intervals by the railroads. The industrial centers will be at these intersections, the residences being reached by electric street cars. When we shall have attained to this stage of development all the people will join in growing the crops, going out in the spring and remaining until autumn, when they will return and during the winter half-year be engaged in the factories, shops and offices. This diversity of employment will do away with narrow and narrowing specialization from which a large part of the people now suffer because they are specialists in a narrow groove *all the time;* and contact with nature and nature's processes each year from childhood to old age, without loss of social contact, will make for broad and healthful development. There will be no loss from lack of specialization, because the all-round man is the best specialist when he is acting as a specialist. He brings to bear a broader view and combines many branches of knowledge, the inter-relation of which the narrow specialist does not suspect.

The two great holidays will be the Hegira and the Harvest Home.

The growing will be done by the communities, all who take part (nearly the whole population) receiving certificates in payment. A few will, of course, be engaged in forms of employment necessarily continuous, but not so engaged every year; and these will be very few, for really there isn't much to do in the city when the people are all away.

The reason for this seeming digression is this:

Whatever the community does *as a community,* engaging individuals to perform the work; not requiring from each his share but leaving it to voluntary work for pay, will cause money to issue as a result of industry applied to production which is not in its nature of a public utility character. Doubtless the growing of the crops would alone supply a sufficient currency, but this is not important, for when subsistence is so easily and certainly provided, three-fourths or more of human activity will be "free labor" and available for any sort of community work to be done. There will be scores or hundreds of activities suitable to be carried on by the communities for the general benefit, all free or of nominal cost—theatres, schools, lectures, etc., etc.—the expense of which above nominal-charge receipts would be a channel of

issue. It is no stretch of the imagination to conceive in such a community—I mean every particular community of such a society—operas, concerts, lectures, classes, dramatic performances, etc., etc., every night during the city life, on such scale as we now see only for an occasional season in the great cities of the world, and so many in number as to seat half the population. As conditions now are, such things are not accessible to more than ten per cent. of the population, and to them only at intervals and at a cost such as to exclude all but a very few. Under the conditions which will prevail when we have had economic justice for a generation or two I believe that 20 per cent. of the population will be in attendance upon some form of public entertainment or meeting every day or evening. More and more will social intercourse become general; castes will melt away and cliques disappear. Not that people will be equal intellectually, esthetically or morally, but that aloofness will have come to be recognized as what it really is, timid discretion against submitting a thin veneer to contact lest it be broken; and the democracy of universal brotherhood recognized as the only aristocracy.

To one who knows something of the difficulty of raising revenue there is at least some comfort in looking forward to conditions in which a statesman will be considered great in propor-

tion as he is successful in finding ways in which profitably to spend the revenue, fields into which to direct the "free labor" available, not to win subsistence (that will have ceased to be a problem), but for the still further uplift of humanity. So little time will be required for subsistence (not more than one-quarter) that nearly all will be devoted to advancement.

XIV

VOLUME

HAVING explored the Amazon of supply let us now explore the reservoir, or lake, or sea into which it flows and see what we can learn of its magnitude. In economic terminology this sea is called *Volume*. It is the amount of flow from the Amazonian money stream that does not disappear but remains to float the commerce of the people. I suspect it is really an ocean; at least that it will be an ocean, on which the commerce of the world shall ride in peace and security, with never a financial storm to wreck the barks afloat on its bosom—when the great nations shall have emerged from the economic superstition that money value should be in the money material.

What will the volume of money be when it shall have reached the limit; that is, the point where cancellation will balance issue? Let us assume a population of 200 millions and that in the 300 years after adopting the system we had spent 1200 billions of dollars in some such manner as follows:

Two million miles of highway	20 billions
Later, improved by being widened, beautified and lighted by electricity	80 billions
Rehabilitating and extending railways	50 billions
Underground telegraphs, telephones and tubes	50 billions
Irrigation and drainage, including power, universal water supply and canals	300 billions
Three hundred years' administration	300 billions
Public buildings and residences for 200 millions of people	400 billions
Total	1200 billions

It is immaterial whether this comes about in 300 years or 500 years, the only question being as to the volume required by the demands of trade; that is, what proportion of it will remain outstanding.

It is a universally recognized fact that except for the negligible hoardings of misers and ignorant people, personal savings must be in the form of land, going business, permanent improvements or credits. Under our present system these savings cannot be in the form of money except by incurring the annual waste of interest. Whatever be the ideal condition, savings must earn interest if interest prevails because every one who labors shares the burden of interest and is entitled to share the advantage. But suppose interest, though it remained as to wealth, did not attach to money loans; then savings would be made, to a considerable extent

at least, in money. That wealth should earn interest and money should not seems like an absurdity on first thought, yet it is not. The trained academic economist will instantly say: "If the loan of wealth (a house, for instance) commands a payment for 'time' over and above fixed charges and replacement, then the money for which the house will sell must also command interest if loaned, for the owner may buy a house with it if he choose." This sounds like an irrefutable argument, but it isn't true. If the purchasing power of the money is increasing by as much as the interest rate the money will command no true interest; that is, payment for 'time' during which the owner does not wish to use it. Of course it would command payment for risk if a doubtful loan were made, but such a loan is gambling.

Now, in the conditions that will come about within twenty-five to fifty years after economic justice shall have been established, the interest rate for the loan of wealth will, I believe, be as low as one or two per cent., and I believe wages will be increasing by at least two per cent. a year. But as the basic money wage will not change, the purchasing power of money will be increasing exactly in proportion to increase of production, wherefore nominal interest for money loans will disappear, being hidden in the increasing purchasing power.

When this situation obtains, a large percentage of all savings will be in the form of money. What proportion it is impossible to conjecture, even approximately. It may be a fifth, a quarter, or more. Should the communities finally build and own a large proportion of the houses and business buildings, and conduct a large percentage of the industries other than public utilities, as I believe they will ultimately, savings will be still more largely in actual cash. Until such time savings probably will be from 50 to 75 per cent. in the ownership of stocks of goods, the machinery of production and the stock of going concerns.

In the state of society we shall then have, *all* will be producers during a large part of their lives, but will look forward to ten or twenty years of independence after the most actively productive period of life. We may therefore say that on the average each person will save one-third or one-quarter of his income for use later in life. Call it a quarter, and say that two-fifths of the saving is in cash. This would be 10 per cent. of the total production. If the present annual production is 25 billions we may safely say it will be a hundred billions by the time the population reaches 200 millions. This would not mean a doubling of individual productivity but that it had increased greatly and that the present waste had been stopped.

Ten per cent. of 100 billions is ten billions. As the saving would continue in the average individual case during a period of forty years and the disbursement would occupy ten to twenty years, we have an average time for the savings of twenty-five to thirty years. Call it twenty-five years; twenty-five times ten billions is 250 billions.

Probably much of this will be active as working capital and it may come to represent coöperative ownership of industries, each employe using the firm as a convenient custodian of his savings.

I see no absurdity in assuming that half the savings would be in cash, which would make a still larger total, much of which would probably be loaned without interest. This may seem incredible, but when we remember that in the conditions we shall then have the risks of all ordinary business will be practically eliminated, and that loans will be in large measure from fathers to sons; the retiring generation's credit balance in the business of the country, the enormous figures will not be so astounding. My impulse is to dispute it, but when I remember that if I had planned a world, knowing that people live upon dry land and derive their living mainly from it, I should probably have specified nine-tenths land and one-tenth water, yet God made

it three-fourths water, I am restrained from limiting this economic ocean of value.

It is an interesting fact that the most excellent quality of the money (its increasing purchasing power) is the very thing that will prevent payment of a price (interest) for its use. But interest will really be paid because loans will be repaid in units of increased purchasing power; but loaned wealth, to be returned in kind, will command interest because it is *not* increasing in value. If it is *known* to be shrinking in value, not deteriorating, but becoming cheaper, the loss will be expressed in the interest rate. This is doubtless a factor in the present interest rate on money, for gold is losing value from year to year.

For centuries the attempt has been making everywhere throughout the commercial world to liquefy all values in a perfectly fluid and stable system of credit. The attempt has always failed because the money systems have been fundamentally wrong. Even the inconvertible money value, though it was sought to make it representative, has always been antithetical to general values because the money issue was not regulated solely and only by the demands of trade. They sought so to regulate it, but in every instance somebody's judgment and voluntary act were involved in the increase or decrease of volume. The regulation was not *auto-*

matic and *unconscious;* not by the *natural law,* but an artificial regulation exactly similar in principle to attempted regulation of interest, wages and general prices or the price of gold, all which attempts are futile.

With the proposed system we may find that liquid value (money) will bear about the same proportion to tangible values that the liquid surface of the earth bears to the land, or even that the selling value of the land now bears to the annual value.

My belief is that, deducting privately owned permanent improvements and fixed capital, the money volume will come ultimately to represent the running account of the rising generation with the retiring generation, the credit balance which is always being created and always being paid. Emerson says the world is bankrupt, but it is not true. It not only is solvent, but when the assets are given proper expression it can pay every dollar on demand, and the only sufferers from a concerted demand, if such thing were conceivable, would be the creditors, for if all the money were offered rapidly in exchange for wealth, prices would go up a hundred, a thousand, a million per cent., if need be, to preserve the balance; because prices are always free to move, and even a legal tender is helpless against the natural law of supply and demand.

Can anything be conceived more fitting than

that the credits of the generation that has finished its work, its material production, its services on the commercial basis, should be the instrument of exchange and account? Is not this one of the many illustrations of infinite wisdom that rules everywhere; of the amazingly admirable and divinely beautiful laws that govern in the spiritual world no less absolutely than laws govern planetary movements and atomic processes? I speak of these laws as governing in the spiritual world because man's social life is the very foundation of his spiritual life, and he can have no close relation to his Creator while his relations to his brother are strained and inimical. As things now are the race has the mark of Cain upon its forehead, and in response to the accusing voice is making the same answer, "am I my brother's keeper?"

This inquiry issues nowadays as if its meaning were, "am I my brother's provider and supporter?" Truly not, and no such condition is contemplated, and to treat it so is an attempt at evasion the skulking murderer did not resort to. All that is asked for the present is that there shall be no denial of opportunity to our brothers to be their own right kind of keepers; that there shall be no institutional injustice.

When we have the proposed system of money and the land freed from monopoly, the circulating medium, fluid credit, the blood of commerce,

will flow as freely through the channels of trade as the blood flows through the body, and from one generation to another, even as the stream of life flows on to the end of the world.

I suppose the largest conceivable volume of currency would be in the condition in which the communities owned the bulk of the enterprises and tools of production, but in which the people were free to enter the public service, or work independently. Suppose three-fourths of the enterprises were publicly owned and the voluntary workers were paid on the proposed plan. The savings of three-fourths of the people would then be *all* in money, and probably one-quarter of the savings of the other quarter of the population would also be in money. This would make 13-16 of the savings in money. Now suppose they arrive at a state of development in which ten years of labor suffices for a lifetime, and assume the average of survival of producers to have reached seventy years; that production (aside from educational work) begins at twenty and ends at thirty. As compared with the time when production continued forty years that would mean that the purchasing power of the money had increased to four times its original power and as many times more as the standard of living had advanced, say eight all told. The savings would then be out of the circulation an average of five years

in accumulation and an average of twenty years in disbursement, hence would equal 13-16 of the total production of twenty-five years. If the population were 200 millions and half of them were counted as producers, we should have for the savings 13-16 of 25x60 billions—13-16 of 1,500 billions—1,218¾ billions. The amount necessary for circulating use would probably bring the total up to more than 1,500 billions.

If this reasoning is sound then the liquid value (credit) may reach 25 times the annual production, in a state of society that is largely but not wholly communistic.

But the money, by our supposition, has eight times the purchasing power, so the 1,500 billions is equivalent to 12 thousand billions of the original purchasing power. In other words, a worker works ten years, earning $6,000, whereas formerly he worked forty years, earning $24,000. But with his $6,000 dollars he can live twice as well as formerly with $24,000. He could therefore live as well as formerly, on $3,000, so the fall in prices is to one-eighth the former amount.

Now, in this supposed condition the production per capita per year is eight times the former production, but the production per life is only twice as much per capita because the standard of living is only twice as high. Of course this refers to wealth production, and is only the-

oretical and merely for illustration. I do not believe that people will ever arrive at a point where they will work only a small fraction of the time. The hardest workers are those who work for the love of their work. But they will not work from necessity. Aside from the routine production they will work as the experimental scientist works; as the inventor, the artist, the author, the explorer, work.

The question may be raised as to the equity of a money that absorbs the increase of productivity, thus giving to one who makes his savings in money a larger return years later than he could have got in exchange for the money when he earned it.

It seems to me that *all* people are entitled to share in the general advance of production, but a worker who has passed the productive age and is living on his savings cannot share unless his savings draw interest or absorb the increase. Why should not a unit of manhood applied in 1911 receive the same reward in 1915, if the reward be taken then, as accrues to the energy applied in 1915? The advantage accrues to the inactive and yet immature; to those yet unborn; shall it not accrue to the now active producers? If such be the natural law we must grant that it makes for the application of all energy in its prime, thus assuring the best service.

The deduction that follows is that the natural interest rate is an expression of the increase in the productivity of labor. It will not apply to loans of a money that absorbs the increase, but it will apply to property loans in such way as to return to the lender the same amount of labor "applied at the later period" and therefore applied more productively. Thus the borrower benefits and the lender shares in the general progress.

Bearing in mind the fact that in these conditions a day's wages would probably furnish three or four days' subsistence, taking the average through life, and that ostentation and snobbery would have gone out of fashion, it seems probable that accumulation for private use beyond a standard of living to be found in every community will not prevail. When there is no question of such a living as is now enjoyed by a small family with five or six thousand dollars a year income, there will be no strong inducement to inordinate accumulation, as there now is. Wise parents will not care to leave large inheritances even to daughters. The individual productive industry will therefore probably be applied with practical continuity for about thirty-five years of life, after which time the individual will be occupied in travel, study, social intercourse and—more work; for few people are able to be happy without employment. I

said they would probably work with practical continuity for about thirty-five years. This does not mean as people now work, six days in the week and twelve months in the year, except for an occasional holiday, and year after year in the same place. It is probable that, counting Sundays, there would be more than a hundred holidays in the year, and as employment would be found everywhere at all times, people could travel much without loss of time at work, would live among and be of the people wherever they were, and thus see much of the world even in their young days. It may be that as a rule people would be anchored only when rearing a family, and later in very advanced age.

Even if individual savings were for only a third of the life period it would represent $7,000 for each of those in the productive period, a total of 350 billions for one-fourth of the population of 200 millions. It seems probable, therefore, that a large part of the savings would be in the form of investments bearing no interest or a very low rate, and to be paid off gradually. As before said, the savings would be largely in the business of the country (stores, mills and buildings of all sorts), and the transfer of these from one generation to the next (a continuous process), would enable the retiring generation to realize its savings that were not

in the form of money, probably one-half or more.

But it is plain that such money will hold its value without reference to quantity so long as the quantity does not exceed the demands of trade; and the "demands of trade" include all that is used for purposes of savings. And if it commands no interest but gets the equivalent in the increase of purchasing power it will be so used. As every dollar of it was born a free dollar (given in exchange for a day's labor voluntarily rendered), and as none can issue in any other way, it can never lose its value except by the universal fall of wages.

Even if ground rent were taken only in part, interest having almost disappeared and there being no taxes except on land, wages would still be high, for when enforced idleness is at an end and the present obstacles to business are removed the annual production of the present population will certainly be thirty billions aside from public works. Assume that the landlords still retain five billions of this and that interest takes three billions more; this will leave twenty-two billions—about twice what labor gets now.

Still, lest there be doubt in the mind of any one as to this, let us view it in another way.

As the volume grows gradually from the beginning, the difficulty, if there should be a

difficulty, would finally show itself by failure of labor to offer for public service. Such a happening would mean that private employers were paying more than $2.00 per day for common labor. This would not be a serious matter; would simply mean that labor had a working interest in ground rent, and the condition would cure itself automatically, for as taxes were paid the currency would contract and prices would fall, soon after which wages in private employment would fall below the public wage, when public work would be resumed. Also, let it be noted that if labor that should go into the public service were kept out by such method but a large amount of ground rent retained by the landlords, redundancy (the so-called "over-production") would soon result, prices would fall and private employers be forced to abandon the policy.

Still it may be urged that the enormous volume which is sure to issue, though not redundant at the time, may afterward become so.

This does not seem possible, but suppose it should happen. If it did not happen suddenly it would, at the start, be the situation last considered, and to assume it could happen suddenly is to assume an absurdity. However, let us assume it. Assume that of a sudden it should require four dollars instead of two to induce men to enter the public service. This would mean

that private wages had also suddenly risen from two to four dollars; *suddenly* risen, because, if they had gone up gradually the public wage necessary to command common labor would also have gone up gradually, which is contrary to the supposition; really the supposition previously disposed of. Wherefore, if such a situation could really exist, it would simply mean that common labor had ceased to exist; that all labor was skilled labor, and all high priced.

To double the wage is, in effect, to preserve the wage and cancel half the currency.

Whatever the volume of the currency, if any common laborers are in the public service, the money-wage *must* equal the product of a common labor-day, and if a time should ever come when there is no more common labor; when all labor is skilled, then skilled labor will become the basis of wages. If there should still remain common-labor work to be done, as of course would be the case, it would probably command a premium because of its unpleasantness and would cease to be the standard.

Under this system, if interest should disappear or be only nominal, at the end of half a century wages would be substantially *all* that is produced, for by that time we should have absorbed all of the ground rent.

The foregoing are mere prognostications, and like our weather bureau service, only of gen-

eral value. It appears to me they are founded on a logical certainty (that savings will be largely in money when its purchasing power is increasing by as much as the rate of interest on property loans), but still only rough guesses as to the amount. It has already been stated that "free labor" is another phase or expression of land value, and in the reasoning as to volume it seemed to me I ought to be able to trace the transformation and find all the land value in the money, even as we now find all free labor (the idle and the disemployed) in land value, but I was not satisfied that sixty billions of dollars is the limit even for our present population and state of advancement, the other lines of reasoning, though far from certain, pointing to a larger supply.

But I had forgotten a factor, and when this factor comes in it corroborates the largest estimate for present population, or, rather, goes beyond it.

I had forgotten the fall of the interest rate. If that goes down to 2 per cent. six billions of annual value will capitalize at 300 billions, and if the annual value should double, as it almost certainly will, the money will doubtless double also. Not only is the land value almost certain to double within a century, having doubled in about a quarter of that length of time just past, but the interest rate of 2 per cent. may

fall to 1 per cent., in which case 12 billions of annual value would capitalize at 1,200 billions, and the money volume might rise to that enormous total.

This would give a per capita of $3,000 to 400 million people, or five years of common labor wages saved in money; at least largely saved in money. If men are productive during forty years of life they ought to save at least ten years' product. How much will be in permanent improvements privately owned is another conjecture. It is probable that in manufacture the value of tools for each worker will mount to many times what it is now—perhaps to five thousand dollars or more, and if so, the "demands of trade" for money as a repository of savings will be correspondingly less.

Land having been hitherto the only safe repository of savings for those who have no skill in the investing of funds, it seems especially fitting that the cutting off of this mode of saving should make available another and a safer mode. Investments in land under our present system, though a certain guaranty against total loss, are not quantitatively safe and in no case are they a quick asset. The proposed system will furnish to the unskilled a growing investment for savings, and on equal terms to all.

From all the foregoing considerations it seems certain that "free labor" will go into the

public service in such force as to increase the volume of currency, and as the influences will act cumulatively to that end, it is probable the volume will be many times multiplied before the fifty years' period is ended. Let us assemble these influences:

Increased per capita production will steadily increase the volume of business and call for increased volume of money.

Setting all the disemployed to work and shifting to productive employment the many who are now unproductively employed in overcoming the artificial difficulties of business under the present system, will further increase the total annual production and make more money necessary.

Business activity will be uninterrupted by periods of depression, and the total product for a series of years be thus greatly increased, calling for a larger volume of money.

The interest rate will fall, thus taking one of the brakes off business and making for increased volume.

Business will gradually go to a cash basis, and in proportion as it does, the cash basis will call for an enormous increase of volume. (It will not necessarily be actual cash on delivery, but with *cash in bank* and settlement by check at the week end.)

The very considerable tendency to make sav-

ings in cash will make for increase of volume, and the increase of population we must look forward to will call for a proportionate increase of money supply. In any event, the amount will be what it should be, and there is no occasion to shrink from the deductions of our own reasoning, however startling they may be.

XV

APPORTIONING TAXES

SOON after men, through the help of primitive government, were comparatively safe in their sowing and reaping, they found the conditions of life so much improved that they began to lay by a more bounteous store, and ere long developed decided emulation and rivalry of possession. Not only individuals, but tribes or nations would develop this, for the tribe or nation with the largest store would have decided advantage in case of war.

As a result of this men became so intent upon accumulation that they came to have little thought of their governmental duties, leaving government almost wholly to others, so that in the course of time society's protectors (officials) learned to rob them even more than pirates and brigands had done before; but the method being peaceful and by indirection, and under cover of law, and production having increased so enormously, the seriousness and extent of the robbery were not understood by the people and even now are realized by only a few, though the people are learning.

Still later this robbery was reduced to a science, but the inventors of the methods did not

enjoy the full fruit of their invention, for it came to pass that resourceful men of affairs invented methods to rob the robbers.

If the people at large could only understand that no government in the world can protect them from these modern predatory hordes except by requiring from each one his share of communal service, and that in this day and age nine-tenths of all governmental activity should be devoted to doing things instead of to ruling, great progress would be made in government and the general condition advanced almost beyond conception.

When it is understood that from ten to fifty per cent. of human activity *must be devoted to communal benefits* (actual governing and public utilities) or *be sacrificed to these modern predaceous interests,* it would seem that only the most sordid and selfish could prefer the latter.

But this service must be apportioned in some way unless all are to render an equal amount for the common good.

We have seen that all the activity which cannot be more profitably engaged in private employment should be engaged in public work, and that the receipts given in acknowledgment constitute the currency, the quantity and value of which are automatically regulated as they should be; that under such system the money wage is merely the title to such share of the

total product as constitutes the individual's natural wage, wherefore the proposed money is the natural money; that through its agency the individual's communal product, his undivided interest in public property, which cannot be appropriated by him, but must be used by all, becomes the agency by which the product of his privately applied industry is exchanged.

Now, if All-wise Nature provided for a natural money which is to issue (be born) by the giving of receipts for service rendered (we may call them certificates of ownership of public benefits), which receipts are to be canceled when they come back as taxes, or reissued in acknowledgment of further service—if all this has been provided for by nature, it must be there is some natural method of apportioning the service to be rendered by each individual for the common good, or at least for the general good.

The method of apportioning this service in common use, called levying taxes, is as crude and unscientific as the money systems in use, and prevents such progress as we should make under a sound system. The almost universal plan is based upon the doctrine that all persons should pay taxes in proportion to their ability to pay, and this is one of those most dangerous of all fallacies—dangerous because it sounds so plausible that few people have questioned its correctness until very recently, and

most persons still believe it. It appeals to the poor who are ignorant of the principles involved because it appears to be an assumption of the burdens of government by the rich.

But though people accept this as a truism they would deny it instantly if it were said of other things than government. If a merchant should attempt to charge his customers in proportion to their ability to pay he would very soon lose all except those who could not pay. Under such a system the pauper could buy as many goods as the multimillionaire.

Government is for the benefit of all the people, but it does not follow that it confers equal benefits on all persons, and it can easily be shown that it does not.

In a primitive society, where the chief object of the social compact was protection against attacks by raiders, in case of attack all the men would turn out and give their lives if necessary, for the common defense. But when the population had become so great that ordinarily there was no danger from without, and governments had begun to furnish something more than protection to life and property, then the service required from each adult male was not obviously equal. Indeed, it seems probable that as protection was largely for crops, flocks and herds, as well as for life, the tax contribution required from each head of a family or

group of families may have been approximately proportioned to the amount of such crops, flocks and herds to be protected, and when contributions were necessary for the building of roads, for courts and administrative officers, the plan of apportioning the cost was simply continued on the old basis; and up to this time the plan was not far wrong. But when employment became still more diversified and the exchanging of products became almost as great industrially as production itself, it came to pass that the benefits of public utilities did not inure to all alike, whatever had been the case before.

It is self-evident, for instance, that roads are much more important in the exchanging of products than in making or growing them. A farmer can live very comfortably without any other road than a mere passageway over the natural surface. He can produce everything he consumes except probably a single wagon load of groceries, tools and appliances. Many of our grand-parents did it and lived happy and useful lives.

But the merchant, who is the exchanger of things, and all who live directly or indirectly by the production of things they cannot consume, but must exchange for food and raw products, all these persons are much more interested in facilities for exchanging things (roads) than the farmer is, for a large part of

the material they consume is transported over the roads, and if the roads are good it will come to them more abundantly and more cheaply than if the roads were bad. The consumer pays all necessary cost to the point of consumption, and whatever lowers cost to all producers will be for his benefit.

But the farmer also consumes much that is brought from elsewhere, though, as said, he can get along with very little except his own production. He derives much benefit from good roads, not only in a material way—a purely business way—but also in a social way.

So the exchangers get more benefit and should pay more of the cost of roads than farmers, but the farmers should pay much.

Then there are persons from abroad who travel on the roads, and they derive some benefit, and should pay in proportion to the benefit.

It seems like an utter impossibility even to trace all these benefits, and quite hopeless to apportion them equitably, and make collection. Even if it could be done the cost of doing it would eat up a large percentage of the revenue.

What a saving it would be if all persons were so honest that they would deposit their toll in boxes and thus save the expense of collection by means of toll gates and keepers. Yet it would not save all, for the travelers would have trouble and delay, and somebody would have to

collect from the boxes and keep accounts of collections, and these persons would be a charge on the community.

It is very interesting and instructive to consider the inventions of man and by search seek to find out to what extent nature forestalled him. A saw is one of our most useful tools, and is said to have got the inventor into trouble with his jealous uncle, and the account says the pattern was a fish's spine, so Nature really invented it and the man simply discovered it—as men often have done. The auger is another very old and very useful tool, but Nature made augers millions of years before man "invented" them, and her augers can bore crooked holes, chamber out, turn at right angles, and can leave auger seeds that will insure thousands more augers, to bore holes as if for the sport of boring, as our woodsman knows to his sorrow. Shears, pincers, hammers, picks, trowels, knives, engines, pumps, valves, guns, atomizers, swords, arrows, spikes (even the devil's spiked tail is an infringement), pockets (that never rip)—almost anything you can think of, self-sharpening tools—Nature made them first.

Now, what an amazingly astonishing thing it would be if we should find that she really did also invent a toll gate—the cheapest and best one ever invented; that she was ahead of the penny-in-the-slot man by so many thousand

years there are no records; an automatic gate that not only collects the toll from the speeding auto without slackening the pace, but collects just the right amount, thus saving the road commissioners the trouble of making a schedule of rates; and this automatic toll gate never gets your penny and fails to deliver the goods. It's an honest toll gate, taking neither too much nor too little, nor ever failing to collect. It recognizes no deadheads.

And it not only collects toll for the highways, but for many other public benefits that come to us through all the channels of the social compact we call government.

But this I am obliged to admit, it does not take the collections to the public treasury and pour them in, so there is a constant stream pouring out of the millions of gates, which is being appropriated by people who are in a position to do so. Strange as it may seem—incredible, unbelievable, the government has made a practice of giving exclusive licenses to individuals to collect these pouring streams for their private use, and then has sent out emissaries to force the people to pay again what they have already paid through the toll gates.

For these toll gates are Nature's taxgatherers. All the natural money we have been talking about, born as we have seen by being issued in exchange for communal service, lives

its life (a very useful one), circulating among the people and apportioning to them their respective shares of "things to use," and just as rapidly as new ones are born (except for increased requirements) the old ones find their way back through the toll gates, to whence they came, even as men do; to await rebirth to further usefulness—even as men do.

And we may now add to our list of correspondences the precise correspondence between the total of ground rent and the "free labor" of any community, which is the amount that should find expression in public benefits—in government.

XVI

NOT THE LABOR CHECK SYSTEM

SOME one may say that the proposed money is nothing but the socialist labor-check system under another name, but a moment's thought shows that this is not true.

The socialist's proposal is that all shall be employed by the government and all the product be owned by the government and sold back in exchange for labor checks.

Under such system the prices at which things should sell must be fixed by boards of control, and even if they *could* fix prices equitably the labor of doing so would be wasted energy. Prices are automatically fixed in a free market by the interaction of offering and bidding, but where the government owns everything the price must be set by authority. Imagine the gigantic accounting system necessary to keep track of the cost of the various things produced, and even if the data were in hand for this, the labor of making up the price list for a year or for any period of time. Then prices would have to be changed from time to time *by order of somebody* or of *some board.* The price of an article cannot be the labor check cost of it, for if this were so the officials and those

engaged in public works would have no goods in exchange for their checks. Besides this, value is *not* cost of production. Some goods will be taken quickly at a given price, even above cost of production, while others will remain unsold and perhaps be left to spoil at cost or even much less than cost. People could not be forced to buy; and who knows the cost of the first strawberries in the market, or the cost of a porterhouse steak as compared with another cut from the same animal? The relative prices of two cuts will depend on the tastes of the consumers. If they are stalwart workmen who eat to live, the difference will not be great; if they are dainty men who live to eat, the porterhouse will command a high premium. Not all the boards in the country could set prices right. And who could tell the value of a work of art?

If the prices of things are set by any influence except the competition of desires, things will not reach their highest economic destiny; that is, will not find the most intense desires to which they can respond, and will thus fail to produce the highest possible enjoyment.

Under the proposed system not a dollar's worth of goods to be sold will cause the issuance of money, when produced, or afterward, unless sold to the government. Only that service which, being for the community, cannot find

its reward in the product, causes the money to issue. In other words: All men labor, those who do not find private employment working for the government. This makes a minimum wage, because the more efficient will work for themselves or a private employer and enjoy a better return.

Another important difference between this and the labor check system is that it makes all government work voluntary and leaves every individual to set the price on his product as he may see fit, and,

It *preserves all the individual initiative and incentive to enterprise.*

Except for unrelated influences it secures all the socialists seek, employment for all at all times, and avoids the leveling influences inseparable from all the socialistic plans I am familiar with.

It is therefore as different from the labor check system as day is from night.

Since writing the foregoing I have been told of a plan which proposed the establishment by government of some particular work to furnish a standard, or perhaps a sort of overflow, for labor, but have not seen nor heard the details and am unprepared to say whether it has any points of resemblance to the proposed system.

XVII

BUYING THE LAND

TO buy the land under present conditions, giving interest-bearing bonds in exchange, would be, in large measure at least, only to change the form of the burden. Land and public utilities privately owned would probably total about 75 or 80 billions of dollars, and even if the government could pay the interest and reduce the indebtedness by one and one-half billions a year it would not be advisable to do it in this way, for with our present money system it would probably have a demoralizing effect. The better plan is simply to pass the necessary law, and after putting all taxes on land, which should be done whatever system of money we have, proceed in the following manner:

First—Exempt from the increase hereinafter provided for, from $100 to $500 annual land value to heads of families only, beginning at fifty years of age and increasing the exemption gradually to the maximum at seventy years, and a lesser exemption to persons over sixty, but not heads of families.

After these exemptions are arranged for, provide the following, or similar, advancing scale

for taking over the remainder of all land values. Assuming five billions as the total value above present taxes, we shall have:

				Billions
1st 5 yr. period	00	leaving landlords	100% =	25.00
2nd 5 yr. period	10%	leaving landlords	90% =	22.50
3rd 5 yr. period	15%	leaving landlords	85% =	21.25
4th 5 yr. period	20%	leaving landlords	80% =	20.00
5th 5 yr. period	25%	leaving landlords	75% =	18.75
6th 5 yr. period	30%	leaving landlords	70% =	17.50
7th 5 yr. period	35%	leaving landlords	65% =	16.25
8th 5 yr. period	45%	leaving landlords	55% =	13.75
9th 5 yr. period	60%	leaving landlords	40% =	10.00
10th 5 yr. period	80%	leaving landlords	20% =	5.00
11th 5 yr. period	100%	leaving landlords	00 =	0.00
Total				170.00

Equalizing the time, this sum comes to the land owners as if it were paid in 13.785 years, and its "present value" on a 5 per cent. compound interest basis is a little over 86 billions, 400 millions; on a 3 per cent. compound basis, 113 1-3 billions.

The total taxes during the fifty-year period will be 50 times the present taxes, estimated at two billions a year, and 80 billions from the increase. Probably we should deduct 50 billions from this on account of the exemptions from increase, thus making the total net taxes 130 billions.

The administrative cost of government could

hardly exceed one billion a year, so at least 80 billions would go into public works and expense other than administrative, and after a few years these other expenses would be small. But this is the minimum (130 billions) that could issue during the time without expanding the circulation. The amount that *would* issue would be about 600 times the number of men to whom private employers would not pay $2.00 a day or better. So long as everybody is so employed without expanding the currency, well and good, but at the end of twenty-five years the amount required to pay taxes will be $3,250,000,000, and if only one billion is used for administration, two and a half billions must find tangible expression in public works.

As the landlords will get their pay for the land by retaining it out of ground rent, we may be sure of their hearty coöperation to avoid a stringency. There could be no stringency, for that would mean lack of employment in private enterprise, which would send labor into public service and cure the stringency as soon as it began to be felt.

Let us examine another supposition. For the sake of illustration, suppose the primary tendency were for no free labor to enter the public service; that during the first five-year period government expenses were two billions and taxes two billions. The first year of the sec-

ond five-year period taxes increase by 500 millions. If labor still stays out of the public serice it can only be because private employers are paying at least $2.00 a day for common labor. But one-quarter of the currency has been canceled by being paid in as taxes, so that $2.00 is now $2.66 in purchasing power; that is, prices are falling and rents must fall as soon as leases are ended. The next year the same thing will happen and the currency be reduced to one billion.

It is impossible. The volume will increase for decades, possibly for a century or more, and as before said, may ultimately be shown to be the counterpart and persistent expression of all land value.

Whatever proportion of the "free labor" counterpart of ground rent may actually go into the public service it is certain that wages will rise because there will be no competition for jobs; and though ground rent may not fall —may even increase from the start—wages will advance by at least a part of the increase of production which will result because unemployment will be at an end.

If land values should increase largely during the fifty-year period the compensation to the landlords would be still better, for increase of taxes always lags behind increase of values; usually by several years.

If the landlords insist this is not a fair price for the land, then I would offer an alternative proposition, as follows:

The government proposes to buy such land as it wants. There will be no haggling about the price. Each owner will set his own price before a given date by recording it in the local record. This price will be a perpetual option and will run with the land. It will be the price at which the government will buy if it buys, and will be the valuation on which the owner will pay taxes until the government exercises its option. Taxes will all be on land, and the rate, as now, subject to increase or decrease, and be payable in the new money. Public utilities will be dealt with in the same way.

The government will then buy a cheap site well located, make it ready as a place to do business by making a safe harbor, building railroad connections and all sorts of public utilities. It will then invite manufacturers to come and establish their business where it will forever be free from taxation—nothing to pay but ground rent, which they must pay wherever they are and pay taxes besides. If this were done near New York and Chicago those great cities would soon be stone quarries, unless the landlords themselves brought about the adoption of the single tax—as they would, in order

to realize an income from the buildings and public utilities.

I am sure some of my single tax friends will object to compensating the landlords even in this way. Of such objector I would ask: "How shall we get into circulation the volume of natural money we shall need and make it stay in circulation if we cancel as much each year as we issue?"

If we do not have natural money the interest rate must remain on money and the people can have no absolutely safe and universal reservoir of saving, but must depend on corporations; banks can never be absolutely sound in principle, and above all, the basic wage must forever be changing in order to give labor the advance in production. This could not come about except by periodical negotiations and transfers from one employer to another. This would not only be a source of loss and inconvenience, but taking the increase of productiveness by periodical steps of advance instead of receiving it automatically from day to day would involve a loss probably greater than the cost of the land.

And as "free labor" *is* land value, and as all the natural money that is canceled will be furnished for cancellation by the landlords, what ground of complaint is there?

And at the end of the period we'll have the land, the money and the public utilities.

It seems to me as if the natural law (the scientific synonym for Infinite Wisdom) has provided this exit from a situation which has become intolerable.

While I have no tears for the owners of vast land values, neither have I criticism, for I doubt not I should have done the same in like circumstances. I am not giving away the little land value I have.

For the great mass of people who have invested their small savings in land I have a feeling that they ought not, near the end of life's productive period, be forced to sacrifice it to introduce a system whose benefits they cannot avail themselves of.

Is it wise to decline so obvious and easy a settlement because, though decidedly the most advantageous to the people, it is not the most objectionable to the landlords?

XVIII

ABOUT GROUND RENT

IT seems to me certain that ground rent so-called is not all "true" ground rent, just as the nominal interest rate is not all "true" interest, but partly insurance for risk and a large part of the remainder simply the equivalent of monopoly investment profits. If ground rent is partly payment for advantage of location and partly the power to employ many persons at less than the natural wage *because workers are forced to compete for employment and many to remain idle,* then, when this competition of workers ceases wages will go up and rents fall. Ground rent is abnormally high also because, by reason of low wages and the consequent inability of the people to purchase all the things produced, a slight advantage as a "place to sell" commands an abnormally high price, and the same is true of a "peculiar" personal ability to sell—such ability commands abnormally high wages, because it is in the selling department that business encounters the great obstacles. It is evident that when the competition of purchase equals the competition of sale, ground rents will be much more largely than

now "for places to make things," instead of "for places to get rid of things."

Assuming that ground rent in its various forms (ground rent so-called and annual franchise values) is six billions of dollars, it is pretty safe to say that two or three billions of it is not "true" rent; that is, would not express itself as rent but for disemployment. It may be found that the total amount of ground rent will not be changed, but that high rents in the great centers will go down and rents in other sections rise. A proper adjustment of railway rates would, in my opinion, tend to this result.

It may develop that when all labor is employed as this system contemplates, even while private ownership of the land continues, the landlords will be unable to take more than a small percentage. If they now are able to take 25 per cent. it may fall to 15 per cent., 10 per cent., or even 5 per cent. But suppose it should stand at 20 per cent. It may develop that the landlords will not be able to retain even "true" rent. They cannot hold it as produce, for the produce will not keep. If received in produce the produce must be sold, forcing prices down, which will be to increase the purchasing power of the basic wage. They will then have it in money which will yield them a very low rate of interest or none at all. They can spend the money to the extent of their ca-

pacity to consume, and by employing many servants at high wages can retain large incomes and hold wages below what they should be by the amount of the true rent less taxes.

They can also live sanely and save their net ground rent in the form of cash, but their taxes will be increasing as the land is taken over and their accumulations will melt away in a few generations.

The present situation is about as follows:

Total annual production	25 billions
Ground rent	6 billions
Taxes other than on land, and tribute to special privilege, say	3 billions
Interest, say	3 billions
Abnormally high cost of selling	2 billions
	14 billions
Wages other than abnormally high	11 billions

If all the present taxes were on the land, with the proposed system of money and employment for all unemployed laborers, the condition would be something like this:

Total production	30 billions
Ground rent	6 billions
Interest, after a few years, say	2 billions
	8 billions
	22 billions

leaving 22 billions to be distributed as wages, higher at the bottom and lower at the top; no pauper wages and no million dollars a year salaries for expert aids to plunderers; not even a hundred thousand a year to a discredited cabinet officer.

And we should have from one to three or four billion dollars' worth of public utilities added each year besides.

There is another possibility we have not considered. It is a witching thought which I have not been able to confirm or refute—that interest and ground rent are the two sides of the same phenomenon. If this is true, ground rent will disappear with the disappearance of interest. I fancy I hear the ready refutation, the confident confutation, of the academic expounders of stereotyped wisdom: "It is impossible, because we cannot eliminate the advantages of certain locations." That is true, but if there were no title barriers to keep people out, the advantageous places would contain more people, probably in exact proportion to the advantages, and thus locational advantage be equalized just as wages are; just as the advantages of pasture are equalized by grazing animals—where there are no fences. This is at least conceivable, with reference to farm lands for instance, but not so easy with reference to locations for mercantile business. Yet, even here, when

wages are high and nobody fears for his job, it is conceivable that the help necessary to realize the possibilities of the place may cut the margin down to wages of management. I was told by one of the department managers of Marshall Field & Co. that the firm had 7,000 employes—I think, in the retail store alone. The average wage was probably at least a dollar a day below natural wages, and I doubt whether, were wages advanced, it would be possible to add even half that sum to the prices of goods sold. Even $3,000 a day would absorb the ground rent on more than twenty million dollars of capitalized land value.

We may find that the wages of management will be such as we should now consider fabulous. It does not seem to me anyone could be found to deny that Thomas A. Edison has earned anywhere from ten to a hundred million dollars, and the same may be said of the inventors of the telegraph, telephone, and other great inventions. Watt was worthy of a billion dollars.

But not all great inventions are material devices. John Wanamaker, as the inventor of the department store, stands high among those who have taught the world how to do business; how to live more efficiently.

XIX

INTRODUCING SYSTEM IN THE UNITED STATES

IT is evident that as society develops economically and ethically the hours of labor necessary for subsistence will become shorter, yet the product will be larger and larger. When men in a state of freedom shorten their hours of labor it is because the product of the shorter time is larger than the former product of longer time, for it is evident that when a free man habitually stops work at the end of ten hours it is because he desires rest or diversion more than he desires the product of another hour's work. Later he is able to produce more and habitually stops work at the end of nine hours, for the same reason—he desires rest or recreation more than he desires the product of another hour's work. But at the end of nine hours he does not desire rest so intensely as he formerly did at the end of ten hours, and the inducement to work another hour now (his product) is larger than formerly at the end of ten. Therefore the product of nine hours now must be considerably larger than the product of ten hours formerly was. The free time he has gained he will devote in part to amusement, in part to

reading and visiting friends, and *some part he will devote to work, the results of which are of a more permanent character*—repairing or enlarging his house, putting in conveniences of various kinds, laying walks, etc., etc.; and if there is a little community of such persons with some development of community spirit they will make improvements for the common good—roads, school houses, water systems, telephone systems, etc., etc.

But suppose they do not so use their time. Suppose they should spend it in lounging about places of questionable if not positively bad character. Some will do this, and to the extent it is done they will forfeit the freedom gained; will relapse into deserved slavery and go on their way to extinction by nature's wise law, "the survival of the fittest," being superseded by higher types. A generation or two will show even greater in moral than in economic advance. If we invite higher characters, succeeding generations will show that they have come. Let us "prepare a place" for them with all confidence that the race will fit the environment. There are no mistakes in the external management of a world.

A nation is simply an aggregation of communities, of individuals, and a percentage of the "free labor" will always find expression in public utilities if given the opportunity. In-

deed, as the right development of humanity must tend more and more to the ethical, the esthetic and altruistic, it is evident that the "free labor" will tend more and more to public expression, which, while it is for self is also for all; and not only for all now living, but for generations yet unborn; for all time, for though highways and other public works are not actually everlasting, the higher standard of life is everlasting except for a social catastrophe that is almost inconceivable.

The proposed money is therefore not only the natural money, but its adoption would give opportunity for permanent and practical expression of the abundant philanthropy now groping in the dark for some way to help humanity. It is generally understood that the only real help of a permanent character is to give opportunity, but the way is not clear.

It is not obvious that a great nation like the United States, made up of governments within governments, could do without serious disturbance that which is easy and simple for a small community. It is therefore important to outline a specific plan by which the system could be introduced without interruption of the business of the country.

We are now using coin, and paper based on coin and government bonds. Let a constitutional amendment be adopted providing that the new

system of money shall become operative on a given early date, the present currency to retain its status for a short period, say a year or two years, until which date taxes may be paid either in the new or the old money.

Let the government have plans made for a million miles of highway, the finished cost of which will be not less than $10,000 the mile, a total of ten billions of dollars, and let plans be made on a similar scale for irrigation and drainage.

Let it begin the prosecution of this work in every state and in many or several counties of each state, employing all common laborers who apply at $2.00 per day each, and as many skilled laborers as are needed at such prices as are necessary to secure the required number; all to be paid in legal tender certificates.

Let the government establish a national bank in Washington, the only bank of issue, with a branch in each state, which branches will be sub-treasuries. For local banks, they may be private, state or national.

All improvements would be charged to the state in which they were located, possibly with some exceptions, together with its proportion of administrative expense and general expenses of a national character, such as the Panama Canal, army and navy. This only for the beginning, for when the proper system of taxation shall have

been established there will be no difficulty about the apportionment. Even in the beginning it may be advisable to adopt the ultimate plan, which would be a uniform proportion of the total tax levy in each state, though I am of the opinion there should be a minimum based on the population, and sufficiently high to insure the proper prosecution of such work as is interstate in character.

The local taxing authorities would raise all revenue from land values. It would be paid at first in the old currency, which of course would not be paid out, but would be superseded by the new. All the taxes in each state would be raised by the local taxing bodies, and all except that for local expenses be sent to the national bank at the state capital, a United States sub-treasury, and any additional part of the levy paid in the old currency would also be sent to be exchanged for the new. The sub-treasury would retain the portion to be spent in the state by the national government and forward the remainder to Washington or hold it subject to check. Such of this as was required for administrative and general purposes would be used by the national government, the remainder going to pay for national improvement within the state, together with as much additional issue as the current year's work might require.

That part of the total tax levy spent by the

state for local and state purposes would not bring about any cancellation of certificates, only that returned to the general government would affect the volume of currency, and of course these would be issuing more rapidly than they would be coming in, for the reason that "free labor" *is* ground rent, and ground rent may not be all of "free labor," whereas taxes are only a portion of ground rent. It is certain that for many years the issue would exceed the cancellation, probably by two to one, but whatever the proportion, there can be no difficulty because the volume of currency will expand only so long as it is absorbed, and when it is too much to be absorbed the expansion will cease.

The various states would soon inaugurate the land value tax in such form as ultimately to take whatever per cent. of the annual land values ought to be taken, and of this total, specified portions would go to the local, state and general governments. The proportion to the general government would then be the only question, and this would probably be in proportion to the population for national administration expenses, and a uniform proportion of the total levy for other national expenses not chargeable locally.

Take such an expense as the cost of the Panama Canal; if it were paid out of the general fund raised by taking a uniform per cent. of the total ground rent in each state it would be

equitable, because, in the first instance it is paid for simply by issuing certificates that circulate as money. For greater clearness let us consider it as an extra undertaking in addition to the usual amount of work. Its building would thus expand the circulation beyond the requirements of trade and reduce the purchasing power of the certificates. This would throw the burden upon everybody, and the burden would continue upon all the people until the process of shrinking the currency to the normal volume should be accomplished.

But the payment of taxes by which the shrinking is to be accomplished is in proportion to the ground rent, and if one place is benefited by the canal more than another, the benefit will show in ground rent and that place will contribute to the cancellation in proportion to its advantage; if not to this identical expense, at least later its taxes will be greater.

Let us compare this method, as it relates to government work, with the method now in use. It is hardly proper to speak of it as a comparison, for to think of the present method, with its log-rolling, in which principle is sacrificed to personal and local interests to secure appropriations for river and harbor improvements, government buildings, and other forms of local favor, is to deplore it. The scandal of these things is as notorious as the same influence in tariff and

financial legislation, and is more tolerable only as an occasional burglary or bank robbery is more tolerable than continual and widespread pilfering, whereby the people are robbed of half the fruit of their labor. These appropriation bills are aptly described as raids on the treasury, and many a congressman who would much rather stand for honest legislation, yields to pressure in order to satisfy constituents who are clamorous to share in the loot.

When each section pays for all it gets and gets all it pays for there will be no log-rolling in congress or in legislatures; no shameless bargaining, and selling of votes—and no licenses will issue to favored interests under the pseudonym of a tariff to rob the people at large for the benefit of a few.

XX

A RESERVOIR OF LABOR

NOT the least benefit of the system will be that the public work will serve as a reservoir into which all labor having irregular private employment will flow (thus saving an enormous waste), and from which private employers can always command labor for extra work, such as cultivating and harvesting crops, at which time, especially at harvest, there is always a dearth of help. During the busy farming season I fancy public work in distinctively agricultural sections will be almost suspended, and during the other parts of the year will command not only the services of farm laborers, but of a large proportion of the farmers themselves. And this is not only true of farm laborers, but of others whose work is of an intermittent character. There are doubtless many skilled workmen who would be glad to fill in their idle time at a lower wage than they command at their trades, and I imagine that a dairy could be run with much greater economy if the men employed could earn something on the side. To save such labor from waste it should be arranged to utilize from two hours a day up, but only where the private employment is bona fide; and such hour work should

be paid for in certain totals or at the end of the month, lest improvident persons be disposed to work only in a shiftless way.

I believe it would be safe to say that most farmers and farm laborers would find from fifty to one hundred days each year to devote to public work. Assume that five millions of them would spend an average of fifty days each per year. This would be 250 million days a year, $500,000,000, that is now well nigh wasted. It would build 50,000 miles of road at $10,000 the mile, or 250,000 miles at $2,000 the mile. It is probable roads would not be built complete at once, but first a foundational road, to be finished in a term of five, ten or twenty years. If in twenty years, the amount of farm labor assumed would complete one million miles.

Objection may be made that this would advance the price of farm labor to such extent as to work a hardship on the farmer.* Probably there would be some advance, but it would be compensated in two ways:

The farmers and their teams would find prof-

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*This objection could not issue with either grace or force from those partisan statesmen whose chief political capital is assurance of high wages to workmen and assurance of high prices to manufacturers. The manufacturer realizes the high prices through the protective tariff, and the laborer is left to wonder why the indirect method by which his benefit was to accrue, does not work according to the theory.

itable employment, and the farm hands would pay their board during the time, say at four dollars a week. So if a farmer kept two men the year round at $2.00 a day less $4.00 a week his bill for help would be $16.00 a week, say for thirty-three weeks, $528.00. If he and his three teams worked fifty days at the price of four men, that would be $400.00 to his credit, and $8.00 a week for board for eight and one-third weeks would be $66.66, making $466.66, or $61.34 net money outlay for 396 days of work.

In addition to this he would soon have more efficient work on the farm, because the public service would tend to develop a higher class of workers; that is to say, more versatile and efficient workmen.

It would also equalize wages all over the country, and make for a steady market, not only because wages would be equalized, but because the purchasing power of the people would be increased by reason of steady employment at good wages, and because there would be none of the recurring collapses we now have, the effect of which is so to demoralize markets as to keep them upset for years at a time and make the rewards of production largely a matter of chance. I know a man who, about sixteen years ago, had a considerable quantity of corn which he failed to sell at 48 or 49 cents a bushel, thinking he would be able to get 50 cents. He still had it the

next year when corn was selling at 16 cents a bushel delivered at the railway station. Since that time it has been as high as 78 cents in the same locality and possibly higher. How much better it would be if the market were steady at a fair price. The same is true of every product. Cotton has recently sold at 8 cents, which I am told is below the cost of production. I do not claim that anything can keep the price of a superabundant product from falling if the superabundance continues, but continued abundance at a low price indicates that the price is high enough —is *not* low. Under an interest rate of one or two per cent. a temporary superabundance, such as we now have of cotton (1911), would be held over in part if the price fell more than the total of interest, insurance, storage and shrinkage. Suppose that 12½ cents is a fair price for cotton; that insurance, storage and shrinkage amount to 5 per cent. of the value and that interest on money loans has disappeared except for 1 per cent. to the banker. Six per cent. of 12½ cents is ¾ of a cent. Cotton would then be held over in part if it fell below 11¾ cents a pound.

But why should not the price of a product be about inversely proportioned to its abundance? Assuming the same labor in producing the larger crop from the same acreage, the total value should be substantially the same, for nature's bounty should inure to the benefit of all. But it

is not so in present conditions. Markets are so uncertain that a 20 per cent. increase is likely to reduce the price 30, 40 or 50 per cent. This is because the purchasing power of the mass of people, not being equal to their productive power, the competition of sale is so much keener than the competition of purchase, and this condition must continue until we have natural wages. Then markets will be as steady as varying natural conditions will permit.

The change will not be accomplished in a single year, but the balancing of production and consumption will almost certainly be accomplished in ten or fifteen years.

XXI

THE RIGHT OF GOVERNMENT

IT is a favorite fallacy of near-statesman that "the best government is the one that governs least." This is all the more dangerous because there is so much truth in it as applied to the governments we have. In the sense in which "to govern" is commonly used, meaning to dominate, to coerce, it is true. "Govern" is from the Greek word meaning "to steer a ship," and as the duty of a ship's pilot is not merely to avoid the breakers and shoals, but "to get somewhere," so it is the duty of governments not only to restrain people from infringing the rights of others and to defend against invasion, but to do things; to do a lot of things; to do everything for the common welfare which cannot be accomplished by individuals except by a grant of governmental power.

Because all governments have been unjust, the question as to the source and scope of governmental authority has been much discussed, but not settled. Until recently there has been no distinct line of demarcation, but since the elder George breathed life into political economy and made it a living fountain of political wisdom there is no excuse for anyone to remain in ig-

norance of the main functions of government.

But even with this broad statement that "government should preserve the peace by restraining peace breakers, and do the things needful for the community welfare which individuals cannot do without a delegation of governmental power," there is still room for much divergence of opinion. The anarchist contends that all these things will be done as well or better without government, and it is impossible to prove he is wrong except by a trial, which most of us believe would be a costly, if not dangerous experiment. Anyway, we are not willing to try it. It is therefore desirable to establish the right of government on a basis so firm that even the anarchist's objection can have no weight.

My contention is that we have a natural, or divine right to do things wrongly. We find ourselves in a world where action is necessary to life, but we have not the wisdom to act perfectly; that is, in harmony with the natural laws under which we live; rightly. The demands of life will not permit us to delay action until we can learn the rule of right action; in fact, we learn the rules of right conduct largely by experience, by noting the ill effects of wrong conduct. Relations involving the welfare of many persons are so complex that we learn the rules of right action very slowly even by experience, and as there are thousands of wrong ways to do even a simple

thing and usually only one perfect, or right, way to do it, it is absolutely certain that in every series of actions relating to a complicated matter we shall go wrong in one or more of the steps. Wherefore either it is our duty *not* to act, knowing that we shall act wrongly, or it is our duty to act in spite of the fact that we shall act wrongly. It is needless to argue that we have a right to do our duty, though it is certain we shall fail of doing it perfectly.

Right action in the practical sense, in a "going" evolution scheme, consists in doing as well as we know and in correcting mistakes as rapidly as we learn a better way. For practical purposes, then, the only wrong is persistence in error, in wrong doing after it is known to be wrong. We all know now that chattel slavery is wrong, and most people look upon it with horror, yet comparatively few realize that we have an industrial slavery the horrors of which are tenfold—a hundredfold—those of African slavery before the war of the states. The monopoly ownership of land; that is, individual ownership upon such terms as to give title holders the unearned increment, is more fruitful of vice, crime and misery in the world today than all other causes combined. It is the fundamental wrong in which nearly all other wrongs are grounded. War, vices of all sorts, including the social evil, the white slave traffic, intemperance and minor evils,

would vanish in large part like a summer cloud if the land were freed.

Yet private ownership of the land was one of the greatest steps forward in the world's history; was right and proper. It would have been even better if men had been wise enough to make the tenure what we are now seeking to make it, but it is almost inconceivable that men could have been so wise as to provide against the conditions that have now developed.

The wrong is not in having made a mistake as to land tenure; that mistake was inevitable. The immoral, criminal conduct is persistence in the error; seeking to perpetuate the mistake for the purpose of retaining an unfair advantage.

The point to which I am proceeding is this—that nobody can now define all that a government may properly do. We know some of the things, and can state them with a much nearer approach to definiteness than was possible half a century ago. So far as our formulation is definite it is fairly well covered in the statement that the government should preserve the peace, defend against invasion and do all those things for the general welfare requiring the exercise of governmental power for their accomplishment.

But by what method of procedure shall it act? The ready answer is, "by vote of majority," but we all deny the right of the majority to rule the individual in certain matters. "Well then it may

rule by vote of majority, but only in things proper for government to do." Who shall define the proper field?

May it properly prevent a man from getting drunk? The answer may be, "yes, in public, but not in his home."

May it properly prevent him from smoking?

May it properly prevent him from chewing tobacco?

May it properly force him to take up arms and fight?

Even if these questions all be answered satisfactorily, still we shall come to some doubtful point, wherefore it seems to me the sound position is that we have a right to deal with all questions as they arise in the best way we know or can devise. We shall probably adopt many wrong ways before we reason out or chance upon the right way, but it is weak to refuse to act because we may make a mistake.

Personally I do not believe it best to collect taxes (ground rent), by force, but I am willing to do it by force until we can learn the better way. I do not believe the minority is bound by the fiction of "consent," but I am willing to proceed with majority rule until we learn how to have actual consent of the minority and thus bind them in fact and not in fiction. I would make citizenship a matter of expressed consent and agreement; would initiate everyone who ar-

rives at the proper age, with due ceremonies, but not secretly, administering the oath of loyal submission to the will of the majority in all matters, but leaving him free to withdraw at any time. If some individuals were not willing to become citizens they would be "foreigners to the government," having no standing in the courts. If such persons were already in possession of some land and using it I should not disturb them nor even permit them to pay taxes. They could not realize any considerable ground value except the citizens freely gave it to them, and if the citizens did this they would be estopped to complain. I would even allow such persons the use of the roads and other public utilities on the terms open to all, until forbidden, and let their children attend the public schools without charge. The next generation would be citizens.

Opposition to beneficence cannot long continue where it is not opposed.

Even the anarchist cannot logically object to a voluntary governmental organization.

But this is for the distant future. For the present we must be content to do as well as a majority can be brought to favor, or at least sanction, remembering always that we should go forward when we are sure of the way; that we should act when action is needed, even at the risk of making mistakes; that we should always be ready to undo obvious mistakes, and that we

should not be without some patience with those who are still dominated by selfishness and appear to be incapable of action involving an apparent sacrifice. We are all selfish in some degree, hence are estopped to pass harsh judgment on those whose selfishness is different from or a little more intense than our own. The Perfect One may not see the difference so large as we imagine it.

Consider the intemperance evil, for instance. No one will deny that it is a very grave question and should be dealt with. Evidently we do not know how to deal with it, but shall we do nothing because we do not know the perfect mode of action? This savors of avoiding the water till we have learned to swim. Let us do the best we know and by our failures learn a better way; or, better still, let us do that which we *do* know how to do; which we know is even more important than curing intemperance, then we may find intemperance and all other vices easier to deal with. We may find they are more largely an effect than a cause.

It seems to me this is almost axiomatic: In the home, government should never intrude except upon call of an inmate or well founded suspicion of crime. The private life is sacred and not to be invaded. Even production by the individual is private save in exceptional cases, but

Exchange, sale, is public, and subject to public control. It is communal in its nature, growing out of the very foundation of community cooperation (the division of labor). I am not sure but that the community (government) might properly take full charge of exchanges, but as we have not arrived at the point where we are even considering this, wise governments will be chary of exercising control, and confine it to wholesome regulation without favor. By way of illustration: Our local governments, many of them, have occupation taxes designed to be a source of revenue. This is unwise, but a license, which should be free or for only a nominal charge, may properly be required in order that a record may be kept and full information be obtainable. In a government where consent is actual, including consent to abide by the decision of the majority, no question could ever arise as to the authority of the government. The question would be on the wisdom of a proposed course, and when the opinions of the people find easy and prompt expression, there need be no fear of persistence in any unwise course. Politicians defend positions for the sake of consistency and for fear to change; from uncertainty as to what the people want, and to save the humiliation of admitting error, but the people, though not entirely free from these influences, are less subject to

them because each individual is less conspicuous. They are therefore better able to "act in the living present" and "let the dead past bury its dead."

XXII

BANKING

IF there is a natural system of taxation, as was proved by the elder George more than thirty years ago, and a natural system of money, as I have shown, there must be a natural system of banking if banking is necessary to the highest economic development, as all will agree it is.

It is a universally known fact that no commercial bank is prepared to meet its obligations should a large proportion of its depositors at once exercise their right to demand payment. Ordinarily there is no danger of such simultaneous demand, but it does come periodically, and then the banks arbitrarily violate the terms of agreement with depositors and refuse payment.

I think this is a wise course, but the necessity for doing it indicates either that the banking system or the money system is wrong, or that they are both wrong.

In the foregoing pages I have shown that the volume of the proposed system of currency may expand until all large mercantile transactions are on a strictly cash basis, and the smaller ones—retail business—either spot cash or with weekly and monthly settlements. Except

for table supplies I do not see that there would be any inconvenience in a strictly cash system, and it would effect an enormous saving in the keeping and collecting of accounts. But of this we may be sure: experience will soon show the limit of economy in the extension of credit. It is evident that the milkman can better afford an occasional loss than to take time to collect every day, and the same may be true in less degree of the family grocer, yet even the milkman could do a cash business without inconvenience by selling tickets or books, as the icemen do.

But if business is generally cash, even with some exceptions, instead of from 30 days to six months, the volume of money required will be enormously increased and the volume of credit correspondingly decreased.

Credit now constitutes about 85 per cent. of what the banks deal in, and loan, and under the cash system the demand for loans will soon be largely reduced. The transition would be gradual, requiring from twenty-five to fifty years, or even longer, but I think it would certainly come. To the extent that a cash system would require a larger volume of money it would necessarily be as gradual in coming about as was the expansion of volume.

In my opinion the volume will reach fifty to seventy-five billions in fifty years (it may be many times more, for the population will prob-

ably double), and very naturally the question will be asked, "what has the volume of money to do with banking?"

This; that when business is practically on a cash basis the savings of the people will be largely in cash, and not as now, almost wholly in credit. It will be cash in banks, for we shall have abundant need of banks, not only as custodians of cash savings, but for transfer of credits from place to place, as clearing houses, and also for the convenience of payment by check. They will be the bookkeepers for 200,000,000 people.

Large sums of money will be loaned, but in my opinion not ordinarily borrowed on short time by business men as working capital. The loans will be for extensions and for new enterprises, which will be time loans. In addition to this there will be tens of billions of loans, the purchase price of business transfers; the running account of the retiring generation with the active one.

It will probably develop that each bank will be of a dual character, having a department for checking deposits and another for deposits not subject to check. Our commercial banks now often have savings departments, but a large percentage of the depositors are of a different class from the commercial patrons.

In the conditions I speak of it is evident that

if savings were largely in cash, almost every business man would do business with both departments, putting his surplus in the loan department (savings) to be loaned "not to exceed" a specified time, and his other funds on deposit to check against. These would never be loaned, but as the patrons of the commercial side would also be depositors in the savings side they could always borrow there for any unusual requirement and thus be able to keep their unloanable deposits down to the minimum, that is to say, not keep credit unnecessarily idle.

But under this system it would not be so important as it now is to keep all money invested, for, as said, interest on money will probably cease. The government would have no interest-bearing debt, nor any debt of any kind except, as before described, an unusual and temporary expansion of the currency in case of war (there won't be any) or an extraordinary work for which labor had to be "drafted." All labor that did not come voluntarily into the public service would cause the issue of money that would practically be a debt because it would expand the currency beyond the needs of trade and reduce production. This would advance prices, and as soon as free to do so, the extra labor would shift back to private employment, and the currency contraction would set in. In fact it seems certain that for a time correspond-

ing to the time the excess labor was in the public service there would be a shift of double the number, or more, to private employment, thus accomplishing the contraction (paying the debt) in a short time.

For the benefit of those who think that interest is inequitable, "robbery," as they often say, I would call attention to the fact that even in this case interest is concealed. The longer hours or lower subsistence forced upon the people during the excess of currency is interest in disguise, for each unit costs more in irksomeness.

Not only this, but there would be no monopoly profits to keep up the interest rate. It is evident that the nominal interest rate will always be as much as monopoly investment offers at the time and place, and as much more as the expectation of increase lowers the rate at which monopoly capitalizes.

No one knows what the real interest rate is. By real interest rate I mean the premium paid for time, when there is no risk and no expectation of increase. As before stated, the proposed system would reduce the nominal rate paid for time, because the purchasing power of the money is constantly increasing, wherefore the equivalent of interest is really paid because the loan is repaid in units of enhanced value as compared with general values.

Banks conducted on the plan suggested and

under the money system proposed could not be ruined by a rush of depositors for payment, and yet there would be no dearth of capital to loan, would probably be more than enough at all times. Not only will the interest rate on money probably disappear, but it is evident that the risk element will be reduced to a minimum, for when there can be no more panics and no involuntary poverty; when wages are high and employment always to be had, and when the purchasing power of money is constantly increasing, there will not be the killing competition there now is in business with its attendant causes of failure. When we have natural wages, even before the full value of the land is taken as taxes, the competition of purchase will be almost as keen as the competition of sale and the risks of business will be practically eliminated. If the risk were, in the main, eliminated and true interest (payment for time) should disappear, borrowers would probably pay a commission of one or two per cent. to bankers for the loan of funds, the payment being for the banker's judgment in verifying the soundness of the loan and for looking after it. In such circumstances the owner of the money would get nothing except custodianship without cost.

I said interest on money probably will disappear, but will really be concealed in the increasing value of money; and a distinction will arise

between the loan of money and the loan of actual wealth. A house occupied by a person other than the owner must yield a net return above carrying charges and depreciation, and a partner retiring from activity in a business must get some return from it, else the owner has no advantage of ownership. Assuming no interest on money loans, the interest on the value of a house paid in the form of rent would be a sum above carrying cost and depreciation equal at least to the annual increase in the purchasing power of money. This shows that interest does not really disappear, but only becomes hidden. It cannot disappear till value disappears, because it is a phase of value.

Can a money so abundant retain its purchasing power? To be on the safe side in our consideration, let us assume a population of two hundred millions and a currency volume of four hundred billions. As a considerable percentage of savings would then be in money it is easy to conceive such volume as in existence without danger of depreciation. In fact, unless the volume were much larger than $2,000 per capita there would have to be much borrowing, for a few years of very modest saving in the form of actual cash would absorb it all.

XXIII

SUPPOSE

SUPPOSE we do not wait for the actual adoption of our system by the general government, but, instead, put it into partial operation in a single state or even in a single county. Periodically we have conditions in which hundreds of thousands, even millions, are obliged to seek public or private charity. These men and their families must not be allowed to starve. Even we money-grubbers will not stand for that, though to a certain point we value money above men—until their sufferings annoy us because they can no longer be concealed.

These men are not habitual idlers nor, as a rule, improvident. Most of them are as honest as the rest of us—clerks, artisans and laborers, who are forced out of employment by the partial suspension of business in every line. Something is the matter and there is not employment for all. At such time the primal curse, "in the sweat of thy face shalt thou eat bread," seems to have a concealed satire more sinister than the curse itself, for these men have no opportunity to sweat.

They and their families are suffering for the lack of things to use; food, clothing, etc., though

at such time there is always a superabundance of such things in store, for which the owners cannot find buyers. Then it is our near-statesman and grave counselors don their wise looks and tell us the cause of the trouble is that "we have been going at a too rapid pace and over-production has resulted." If these near-statesmen and grave counselors are right the people are hungry because they have grown too much food; barefooted because they have made too many shoes, and ill-clothed because they have made too much clothing, for be it remembered, the people who are suffering for lack of things to use are the class who make nearly all the things of which there are at the very time "too many."

We all know that these men are not in the breadline because too much wheat was grown; that they are not barefooted because too many shoes were made, and ragged because there are more than enough clothes for all. They are there because of a damnable system that robs them of a large part of the fruit of their labor at all times, and now they cannot get even a little except as a hand-out, for in addition to all other causes of injustice and disaster, the money system has broken down (again), grinding the poor and ruining thousands who are wealthy.

But they are there in the breadline.

Suppose that at such time a superman should appear and teach every honest workman out of a

job a method whereby each day he could extract gold from the atmosphere equal to two gold dollars, but only by faithful work. I presume everyone would say that such intervention would bring incalculable relief. It would enable the otherwise idle and dependent men to buy and consume the "surplus" in the warehouses and on the shelves, and as soon as this surplus had been reduced to the ordinary reserve the wheels of industry would start again, for prices would gradually go up to normal (money value going down by reason of increasing volume and the stock of supplies on hand being consumed), and men would return to private employment at $2.00 a day or slightly more.

But would the world be any richer for the money added? Not a penny, so long as it must be used as money. There is no advantage in doubling the number of tools to do a given work. In the case of gold I suspect that the only increase of total value is what goes into the arts, but apart from this,

Is it not plain that the only important effect of the magic increase of gold money is to work a transfer of real wealth from the legal owners of the "surplus" stock to those who were unable to get it before the advent of the superman?

Is it not plain that the difficulty is not "overproduction," as the wise near-statesmen and grave counselors say, but an inequity in the dis-

tribution of wealth which causes a slow accumulation of unconsumed goods, the so-called "overproduction" surplus? These must be sold at some price, and as the market cannot take all the goods at full price because the total of wages does not equal the total of prices, they go at cut rates. Many manufacturers cannot meet these prices, even by running without profit, so they are forced to shut down or reduce the number of employes—whence the breadlines. And when a general realization of the situation comes there is a simultaneous rush for money to make settlement, the money system breaks down and the nightmare is being lived, not dreamed.

Suppose that, instead of intervention by a superman, the governments (general, state and local) decide to deal with the situation in a common sense and businesslike way. This may seem like exchanging an impossible supposition for a preposterous one, but we'll do it anyway, and assume that the general, state and local governments, instead of bidding the idle walk up to the soup trough and exercise the right of an American citizen to eat, and supplementing this by authorizing the predatory chiefs to disregard the law and devour a competitor in the hope that some crumbs may fall to the hungry hordes—suppose that instead of this they put an advertisement in the papers, inviting all able-bodied men who are unemployed (or employed at starvation

wages) to be on the street corner at eight o'clock in the morning ready to take the first construction auto that comes along. Call them "road rubbernecks" if you like. There are a lot of them and the men in them are going out one, two or ten miles to put in eight hours of honest work at road building under competent engineers, and they are going to get two dollars each at the end of the day in the form of certificates (at least as good as clearing-house certificates). Then the rubbernecks will take the men back to their homes, and their wives and children will meet them with smiles, and they'll have a square meal instead of a hand-out from the relief officer or the grub agent of organized charity; and a happy evening around a bright light, instead of gloom and silence in the dark of a desolate home. And the father will not be humiliated because his strong arms and willing hands are unable to provide food and warmth for wife and little ones, and the mother's heart will not be wrung with anguish because the future is so dark for their brood; and the little ones will not ask in vain for food, and wonder why there is no light in papa's and mama's faces and no smiles with their good night kisses, but only tears. These little ones have been taught that an unsleeping eye is ever watchful over them, and that an unseen hand will provide for them even as for the ravens, and they do not under-

stand. Daily they have prayed, "Give us this day our daily bread," and they do not understand. They know nothing and their parents know little of the unseen hands reaching out from the bulwarks of privilege to despoil them of the All-Father's bounty and send them to bed hungry.

But now the little ones are happy, for they do not go to bed hungry. Papa is away each day and mama is singing over her household cares,—the unsleeping eye is watching and the unseen hand is providing.

"Give us this day our daily bread."

XXIV

"HE THAT HATH EARS TO HEAR, LET HIM HEAR."

ONCE upon a time a fair maiden wandered to and fro in the earth, living upon such berries, nuts and fruits as she could find. In spite of pinching weather, and sometimes scantiness of food, she was healthy, strong and beautiful, for she was the daughter of a god and goddess, though she deemed herself as one with the birds and beasts about her, differing from all only as they differed from one another.

Seeing her loneliness, her parents besought Jove to send her a companion, but the ruler of Olympus had anticipated their desire. He did not, however, send her a companion, but from her own flesh and bone caused to spring forth a helpmate for her; and he had neither hands nor arms, but wings where arms should be. At first he seemed only as a beautiful child, but he grew as if by magic, and after a time was as strong and godlike as she was beautiful and fair.

Then Jove came down from Olympus and blessed them and bade them occupy the earth. To the woman he said: Him have I given thee for thy husband. Of thy flesh and bone is he created. Thy helper he shall be, to make thy toil light and thy heart gladsome. Thou art

Labora, and thou shalt work with thy hands, but he shall work by magic because he has no hands. And to the man he said: Thou art Capitulus; forget not whence thou came; and to both: Over all the earth I give you dominion and over everything in the earth, for you and all your children and all your children's children forever. And as in a cloud Jove ascended to Olympus.

Children were born to them, daughters and sons, and they called their names according to their several natures. The first was a daughter, and they called her Comfort, because she was the constant companion and solace of her mother. The next was a son, and they named him Invention, because he was skillful in devices to help his mother with her toil; and she loved to call him Capitulumanes, because, she said laughingly, he was her husband's hands, which Jove had sent after; and Architecton, who built them beautiful abodes. And of daughters there were also Sculpture, who fashioned images of stone and clay to look like themselves and the animals; and Paletta, who mixed pastes of earths and water and decorated the walls and ceilings of their houses, to look like whatsoever her fancy chose; and Musica and Poeta, who delighted their parents and brothers and sisters even more than the others.

Long time they lived happily, but by and by

Capitulus bethought him of Jove's words, "forget not whence thou came," and being puffed with pride, knew not that they were words of obligation, but mistook them for words of distinction, and Labora, not knowing her divine origin, was humbled and abashed in his presence, so that Capitulus came to think himself fitted to soar like the birds, and more and more to despise Labora the more she humbled herself before him. He threatened to fly away, but knew that he dare not, for he had learned that absence from Labora soon made him weak unto death. So he drew apart from her, but only a little way, and Architecton built for him a beautiful castle, which the others decorated past all power of words to describe how beautifully, for with bribes he enticed them away from their mother, all save Comfort.

To this castle there came one day a seeming beautiful adventuress, Luxury, daughter of the old tyrant Injustice by his harlot Vanity. With her he lived in open adultery and shameless disregard of his marital obligation, and they reared a brood of bastards, Idleness, Indulgence, Excess, Greed, Wantonness, Insolence, and others, all crooked of form and limb, which deformity they sought to conceal with much clothing; and so brutish had he become that he made his lawful children servants to them, that they were corrupted and debased. One of his chief de-

lights was to parade his paramour and their brood before the eyes of his lawful and despairing wife.

Many times Labora prayed Jove to put it into the heart of Capitulus to forsake his evil ways and return to her, and this was one of her prayers:

O mighty Jove, whom all the gods obey,
Is not thy love far reaching as thy power?
If thou didst pity for a maiden have,
Who ne'er knew sorrow and scarce felt a pang,
Shall wife and mother's grief appeal in vain?
Didst thou not find Labora in the wood,
A joyful creature?—and what is she now?
Then were the animals, the birds and bees,
Flowers, trees and brooks her joy; and if perchance
Hunger or cold annoyed her, 'twas but brief
And left no trace of harm. Did she complain,
And ask a husband at the hand of Jove?
Labora knew not how to ask, nor knew
That Jove could answer prayer—nor knows it now,
For still unanswered all her prayers remain,
And griefs increase with prayers. Couldst thou not make
A constant husband? Canst thou not reform
An errant one? Canst thou not from my heart
Take portion of its too-much love and give
To Capitulus? From my flesh and bone
Thou madest his body; did great Jove forget
To make his soul proportioned? Does great Jove
Despise Labora? When the lion roars
His mate and whelps prick up their ears with joy,
But poor Labora quakes to hear the voice
Of Capitulus. Does great Jove desire

That I should fear that which was once myself?
Thou didst command me with my hands to toil,
And Capitulus with his magic art
To make my heart and toil both light. Behold,
My heart is heavy, and my fruitful toil,
Made yet more fruitful ever by his art,
Brings bounty but to him, for bribes to buy
My children from me and increase my griefs
With increase of insults and injuries.
The magic which thou gavest him to help,
He uses to despoil me. Dost thou hear
Labora's prayer, O Jove, or does she pray
To one who joys in sorrow? Answer me.

Jove did not answer, and Labora's heart was heavy with thoughts of her wrongs. But the cup of her sorrow was not yet full, though she thought it could hold no more. In one of his orgies Capitulus bethought him of Comfort, still with her mother, and girding himself, bade Wantonness accompany him. Coming to Labora's house, now a hovel, and gaining entrance by lying professions of friendship and reform, they seized Comfort, dragged her away to the castle, locked her in a dungeon and resumed their carousal.

This was more than patient endurance could bear, and following, with holy rage and strength as if from Jove, Labora slew her faithless husband, his brazen consort, their ignoble brood and her own children who had deserted her. Mightily she wreaked vengeance for her wrongs, but

by and by the scene of carnage appalled her, and tenderly gathering together the lifeless forms of her children, bitterly she wept that they were dead and smote herself that she had been so blind and indiscriminate in her rage. She would have prayed to Jove, but mindful of her still unanswered prayers she sat in stolid sullenness of heart, like one bereft of reason, till she fell asleep.

Then Jove appeared to her in a dream and said: Weep not, Labora, for the great Jove has heard thy prayer. This man that thou hast slain is not Capitulus, but Capitulus' captor, disguised to deceive thee. His name is Monopolus, and he it was who, seeing Capitulus puffed with pride, deceived him first, then locked him in a cave. Thou shalt roll back the stone from its mouth, and Capitulus shall come forth to make thy heart glad and be thy life's light. Thy children I will restore to thee, but not now. Awake, Labora, for Capitulus calls, as he has called these many years in vain, for you to come and release him.

Up sprang Labora, and swiftly as the hind at play she ran to where the vision had directed her. One who had seen that stone might well have thought no weaker than a Hercules could move it, and mayhap this is true, but love is strong, and surely what Monopolus had put in place Labora could remove, for had she not